



**Calhoun: The NPS Institutional Archive**  
**DSpace Repository**

---

Theses and Dissertations

1. Thesis and Dissertation Collection, all items

---

1988

A dictionary of acquisition and contracting terms.

Ryan, Daniel F.

Monterey, California. Naval Postgraduate School

---

<http://hdl.handle.net/10945/23020>

---

*Downloaded from NPS Archive: Calhoun*



<http://www.nps.edu/library>

Calhoun is the Naval Postgraduate School's public access digital repository for research materials and institutional publications created by the NPS community. Calhoun is named for Professor of Mathematics Guy K. Calhoun, NPS's first appointed -- and published -- scholarly author.

**Dudley Knox Library / Naval Postgraduate School**  
**411 Dyer Road / 1 University Circle**  
**Monterey, California USA 93943**













# NAVAL POSTGRADUATE SCHOOL

## Monterey, California



# THESIS

T242317 R9423

A Dictionary of Acquisition and Contracting Terms

by

Daniel F. Ryan

September 1988

Thesis Advisor:

David V. Lamm

Approved for public release; distribution is unlimited.

T242317





Unclassified

Security Classification of this page

## REPORT DOCUMENTATION PAGE

1a Report Security Classification <b>Unclassified</b>		1b Restrictive Markings	
2a Security Classification Authority		3 Distribution Availability of Report <b>Approved for public release; distribution is unlimited.</b>	
2b Declassification/Downgrading Schedule		5 Monitoring Organization Report Number(s)	
4 Performing Organization Report Number(s)	7a Name of Monitoring Organization <b>Naval Postgraduate School</b>		
6a Name of Performing Organization <b>Naval Postgraduate School</b>	6b Office Symbol (If Applicable) <b>39</b>	7b Address (city, state, and ZIP code) <b>Monterey, CA 93943-5000</b>	
6c Address (city, state, and ZIP code) <b>Monterey, CA 93943-5000</b>		9 Procurement Instrument Identification Number	
8a Name of Funding/Sponsoring Organization	8b Office Symbol (If Applicable)	10 Source of Funding Numbers	
8c Address (city, state, and ZIP code)		Program Element Number	Project No
		Task No	Work Unit Accession No
11 Title (Include Security Classification) <b>A Dictionary of Acquisition and Contracting Terms</b>			
12 Personal Author(s) <b>Daniel F. Ryan</b>			
13a Type of Report <b>Master's Thesis</b>	13b Time Covered From To	14 Date of Report (year, month, day) <b>September 1988</b>	15 Page Count <b>160</b>
16 Supplementary Notation <b>The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.</b>			
17 Cosati Codes		18 Subject Terms (continue on reverse if necessary and identify by block number)	
Field	Group	Acquisition and Contracting Term Dictionary; Dictionary; Definitions	
19 Abstract (continue on reverse if necessary and identify by block number) <b>This thesis presents a procedure for establishing a basis for defining words and terms used in the field of contracting. It offers a sample of published definitions presently used in government contracting. A synthesis of different published definitions was produced and the results sent to recognized professionals in the contracting discipline for their opinion. Their feedback was used to arrive at an acceptable definition of the words and terms offered. Follow-on work needs to be done to define other words and terms in the contracting field using the procedure established by this effort. Appendix E of this thesis presents the 28 contracting terms for which consensual definitions were established.</b>			
20 Distribution/Availability of Abstract <input checked="" type="checkbox"/> unclassified/unlimited <input type="checkbox"/> same as report <input type="checkbox"/> DTIC users		21 Abstract Security Classification <b>Unclassified</b>	
22a Name of Responsible Individual <b>David V. Lamm</b>		22b Telephone (Include Area code) <b>(408) 646-2775</b>	22c Office Symbol <b>Code 54lt</b>

D FORM 1473, 84 MAR

83 APR edition may be used until exhausted

security classification of this page

All other editions are obsolete **Unclassified****Unclassified**

Approved for public release; distribution is unlimited.

A Dictionary of Acquisition and Contracting Terms

by

Daniel F. Ryan  
Lieutenant Commander, Supply Corps, United States Navy  
B.S., United States Naval Academy 1977

Submitted in partial fulfillment of the  
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL  
September 1988

## **ABSTRACT**

This thesis presents a procedure for establishing a basis for defining words and terms used in the field of contracting. It offers a sample of published definitions presently used in government contracting. A synthesis of different published definitions was produced and the results sent to recognized professionals in the contracting discipline for their opinion. Their feedback was used to arrive at an acceptable definition of the words and terms offered. Follow-on work needs to be done to define other words and terms in the contracting field using the procedure established by this effort. Appendix E of the thesis presents the 28 contracting terms for which consensual definitions were established.

## TABLE OF CONTENTS

I. BACKGROUND.....	1
A. INTRODUCTION.....	1
B. WHY BASELINE TERM MEANINGS?.....	1
C. SUMMARY.....	6
II. THE RESEARCH STUDY.....	7
A. PROBLEM RECOGNITION.....	7
B. ASSUMPTIONS, LIMITATIONS, AND SCOPE.....	7
C. RESEARCH QUESTIONS AND OBJECTIVES.....	8
D. RESEARCH METHODOLOGY.....	9
E. LITERATURE REVIEW.....	15
F. ORGANIZATION OF STUDY.....	16
III. ANALYSIS OF CONTROVERSIAL TERMS.....	18
A. INTRODUCTION.....	18
B. TERM ANALYSIS.....	19
C. SUMMARY.....	33
IV. ANALYSIS OF ALL REMAINING TERMS.....	34
A. INTRODUCTION.....	34
B. TERM ANALYSIS.....	34
C. SUMMARY.....	78
V. CONCLUSIONS AND RECOMMENDATIONS.....	79
A. INTRODUCTION.....	79
B. CONCLUSIONS .....	79



C. RECOMMENDATIONS.....	81
D. RESEARCH QUESTION ANSWERS.....	83
E. GENERAL COMMENTS.....	84
F. SUMMARY.....	86
REFERENCES.....	87
APPENDIX A: CANDIDATE TERMS.....	90
APPENDIX B: PUBLISHED DEFINITIONS.....	95
APPENDIX C: QUESTIONNAIRE.....	112
APPENDIX D: LISTING OF FAR DEFINITIONS IN ALPHABETIC ORDER.....	126
APPENDIX E: PROPOSED DEFINITIONS BASED UPON THE CONSENSUS PROCEDURE.....	142
INITIAL DISTRIBUTION LIST.....	151



## **I. BACKGROUND**

### **A. INTRODUCTION**

"Defense acquisition represents the largest and, in our judgment, the most important business enterprise in the world." [Ref. 1:p 41] This opinion is taken from the report of the President's Blue Ribbon Commission on Defense Management. An organizational structure as large as the Department of Defense absolutely requires that a common, agreed upon language be used to communicate concepts and meaning. Defense contracting is no less dependent on a common, agreed upon language which facilitates communication and understanding. This chapter focuses on the rationale behind the development of a dictionary of contracting words and terms. Such a document will serve as the common thread which ties together the large and complex world of contracting.

### **B. WHY BASELINE TERM MEANINGS?**

The need to baseline term meanings in the form of a contracting dictionary based on consensus is long overdue. In a telephone interview, Dr. Robert Judson of the RAND Corporation said it best when he asked the question "How have we gone so far without a common language?" [Ref. 2] The answer is that we haven't. Contracting people are constantly forced to sift through numerous regulations, directives, and instructions in an effort to find the meaning of a word or term. The contracting discipline is a very



dynamic and sometimes volatile area in which to work. Since Federal government contracting is responsible to the public to perform its functions efficiently, economically, and ethically, we have been remiss in not examining the basic foundation of our structure. That foundation is built on communication. Communication is impossible without an agreed upon baseline of term meanings.

Businesses and institutions can and do function while using the same word to mean different things. The same word sometimes means different things when a different inflection is used, but seldom does one word with the same inflection mean different things to different people. When single words are pronounced the same and yet mean different things to different people, the situation is ripe for misunderstanding and inefficiency. The meaning of a word is often effected by the context in which it is used. A single word can be used in different contexts and have different meanings. When people are pursuing common goals and clear and concise meanings do not exist, there is a very basic flaw in the communication structure which needs to be addressed. This is the premise upon which this thesis was conceived.

In their book entitled Management, James A. F. Stoner and Charles Wankel wrote about the organizational conflict which can be generated when communications are not clear. They offer an example of what happens when a single word is pronounced the same but has different intended meaning.

Ambiguous communications can also cause intergroup conflict, as when the same phrase has different meanings for different groups. In one case, when the management of a large mining corporation modernized its equipment, the union was told that no employees would lose their jobs. A few months later, when a group of former rock crushers were transferred to warehouse jobs, the union struck. It had interpreted "job" to mean "task responsibility," whereas management had used "job" to mean "employment." [Ref. 3:pp 384-385]

This example shows the consequences of misunderstanding the meaning of a word which has a clear and concise meaning. When words do not have an agreed upon meaning, the probable results can be even more confused. Misunderstanding or misuse of contracting words or terms can result in serious cost and schedule impacts, disruption of deliveries, and other problems which need not occur if basic term meanings can be made concise and can be agreed upon by those using them.

Informal telephone interviews were used in the initial research of this thesis to solicit information from contracting related activities and individuals regarding the basis for term meanings. The organizations ranged from one offering a Federal Acquisition Regulation (FAR) dictionary service (the dictionary was composed of term definitions which had been extracted from the FAR and put into an easy to use format) to those offering complete training courses in Federal contracting. The individuals interviewed included the librarian for the Federal Acquisition Institute (FAI), professors at the George Washington University, Arizona State University, Cal

State University, Northridge, and the Defense Systems Management College (DSMC) at Fort Belvoir, VA. The responses were all the same. These activities and individuals did not know of one authoritative source of contracting word/term definitions. Instead they relied upon the definitions used in the FAR and upon glossaries from textbooks and handbooks as their basis for defining what words and terms actually mean. Often these sources offered different meanings to the same word or term which confused the whole situation instead of clarifying it as they were attempting to do.

One organization, the National Institute of Government Purchasing (NIGP), developed its own dictionary of purchasing terms compiled from other dictionaries and manuals in an attempt to fill the void. Professor Gaynor A. Gibson, a Cal State University, Northridge instructor, published the Dictionary of Procurement Terms in 1961 (revised in 1988) in an effort to provide a guide to the many contracting words and terms in use. His definitions were based upon Armed Services Procurement Regulation (ASPR) and Defense Acquisition Regulation (DAR) definitions as well as his own interpretations of various words. This was the first effort this researcher could locate which tried to put together in one place the meanings of all the terms used in the contracting process. The definitions suggested in the dictionary could have been refined over time to reflect the meaning as used in practice and could have come to represent a consensus, but the dictionary did not enjoy wide enough dissemination to permit this. It proved useful to those



students who had the opportunity to use it, but never became established as a discipline wide supported dictionary.

The common theme apparent throughout the informal telephone interviews was that no singular source of definitions exists which was definitive and relied upon by those involved with Federal Government contracting. In addition, previous Master's thesis efforts have recognized the need for baselining the definitions of words and terms in the contracting discipline. One thesis, entitled Contracting: A Systematic Body of Knowledge, refers to the need for a common language which is precise in its meanings as a foundation upon which a body of knowledge can take shape. It suggests that such a foundation is a basic requirement to enable contracting to achieve professional status. [Ref. 4:p 92]

Mr. Richard Lorette wrote an article on the confusing nature of word and term usage in the Federal government. The article Is It Acquisition? Procurement? Contracting? is very convincing in its argument for establishing a baseline of contracting terminology [Ref. 5:p. 42]. While conducting interviews of Federal employees over a year's time, Mr. Lorette found that although contracting has many issues and problems, that part of the difficulty in carrying out contracting's responsibilities lies in a lack of agreement on the terminology which we use. Mr. Lorette's argument in 1979 that there is little difference in people's minds between the terms acquisition, procurement, and contracting is still valid today. He suggests that it would be very helpful if everyone in the Federal

government would agree on one definition of contracting related words and terms, the source of the definitions being unimportant. Taking that thought one step further, this researcher observes that business and industry, which supply the bulk of the supplies and services consumed by the Federal government, must also agree with the definitions. Mr. Lorette's premise that it doesn't matter where the definitions come from as long as the definitions are agreed upon has merit. This thesis provides the basis of such a dictionary. [Ref. 5]

The best way to assure that the definitions truly represent word and term meaning as used by a majority of the contracting community is through the use of some kind of survey in order to achieve a consensus. Only through consensus can a baseline be established upon which both established contracting professionals along with newcomers just beginning practice in the contracting discipline can rely.

### **C. SUMMARY**

This chapter provided reasons why a dictionary of contracting words and terms is required. It explained that previous efforts have tried to provide guides to contracting word and term meanings, but no prior attempt had been based upon consensus. The next chapter examines assumptions, limitations and scope, the research question and objectives. It also examines the research methodology, literature review and organization of the study.

## **II. THE RESEARCH STUDY**

### **A. PROBLEM RECOGNITION**

There have been numerous studies on how to improve the acquisition process of the Federal Government and the Department of Defense (DOD). Most have focused on a course of action to improve the process. Not many studies, however, have focused upon the underlying vocabulary of the process.

A basic requirement often overlooked in the growth of a discipline is the establishment and recording of the meaning of the vocabulary used to conduct everyday business. The lack of such definitization in DOD and Federal Government contracting has led to confusion at best. The need to have a common underlying language which is clearly understood and defined is basic to the future development and continued growth of any discipline. It is vital to a discipline which seeks to establish itself as a profession. The product of this thesis effort, specifically, 28 proposed definitions of terms commonly used in Federal Government contracting is located in Appendix E.

### **B. ASSUMPTIONS, LIMITATIONS, AND SCOPE**

The basic assumption of this thesis is that there is insufficient agreement on the specific meaning of terms as they apply to contracting. No source of authoritative contracting definitions



exists. This is especially obvious when observing newcomers to the field of contracting as they attempt to wade through the mass of information, often conflicting, that makes up the contracting discipline. It was also assumed that consensus was the best method of arriving at an acceptable definition of contracting terms. Any other method would result in an arguably biased product.

### **C. RESEARCH QUESTIONS AND OBJECTIVES**

The field of Federal Government contracting is currently characterized by much activity, growing importance and notable confusion. "New recruits" are entering the contracting field at an ever increasing rate and require a source of standard term definitions to be able to more rapidly understand the language of acquisition and contracting. This prompted this thesis effort.

The research question addressed in this thesis is:

To what extent can standard meanings be arrived at in the evolving field of contracting in which words are used with various meanings?

During the course of this study, specific objectives included:

1. Establishing a procedure to arrive at concise term meanings which are supported by a sample majority of contracting professionals.
2. Achieving proposed definitions of approximately 25 terms to demonstrate the procedure established in step one above.

The purpose of this thesis is to achieve the definition of approximately 25 terms which can serve as the foundation of a

concise dictionary of terms as they apply to the contracting discipline. A precise definition of the words and terms utilized in contracting is a key element in allowing further development of the discipline and in carrying out everyday transactions. Once a foundation has been established, an acceptable dictionary will take form which can serve as a common reference point for the entire contracting discipline.

#### **D. RESEARCH METHODOLOGY**

The approach used in this thesis was qualitative. It included telephone interviews, a literature review, personal observations, a questionnaire and the researcher's personal experience with the contracting discipline.

The procedure adopted was as follows:

1. Generate a list of candidate terms (approximately 100) from terms included in published contracting literature and regulations (Appendix A).
2. Select a workable subset of terms (28) to be analyzed.
3. Research published contracting literature and regulations for published definitions of the 28 terms selected in step 2 above (Appendix B).
4. Synthesize the published definitions found in step 3 above into single synthesized definitions and organized them in the form of a questionnaire (Appendix C).



5. Mail out questionnaires as a pilot survey to fifteen selected NCMA Fellows as a quality check prior to mailing out a large scale survey.
6. Select approximately 200 recipients from the NCMA list of Fellows.
7. Mail out questionnaires to those individuals selected in step 6 above.
8. Compile questionnaire responses to the 28 synthesized definitions.
9. Analyze questionnaire responses and arrive at proposed definitions for the 28 terms selected in step 2 above (Appendix E).
10. Mail out the proposed definitions from step 9 above to a limited number of NCMA Fellows.
11. Repeat steps 8 and 9 until convergence on term meanings is achieved.

Steps 10 and 11 were not completed in this thesis due to resource and time constraints.

The procedural steps listed above are expanded upon in the following paragraphs.

The initial step taken in following the procedure consisted of informal telephone interviews. Those interviewed were persons in industry, academia, professional education, as well as Federal Government acquisition and contracting practitioners and policy personnel. The telephone interviews solicited input on possible

lines of inquiry, along with any specific words or terms which the interviewee thought were confusing or in need of more precise definition.

A review of the literature and suggestions received during informal telephone interviews yielded approximately 100 commonly used contracting terms, the meanings of which could be variously construed. These were the candidate terms for producing consensual definition. The candidate list was not intended to be all inclusive. Rather it was to serve as a starting point from which to establish the foundation for a dictionary.

The researcher selected 28 terms to serve as a workable basis for testing the procedure adopted. Approximately one third of the 28 terms selected could be considered to be "central" in nature to the contracting process. The approximately two thirds of the 28 terms remaining included contracting terms which ranged from controversial to straightforward. The selected terms included:

- Acquisition. \*
- Bill of materials.
- Buying in. \*
- Change. \*
- Change order. \*
- Contract.
- Contracting.
- Cost. \*
- Direct cost.

- Direct material.
- Express.
- Fee.
- Guarantee.
- Imply.
- Indirect cost.
- Life cycle cost.
- Negotiation.
- Price.
- Procurement.
- Profit.
- Purchasing. \*
- Quality.
- Responsible contractor.
- Responsive.
- Should cost.
- Specification.
- Warranty.
- Will cost.

Those synthesized definitions for the terms above marked with a " \* " next to them generated the most comment from respondents and are analyzed in Chapter III. The remaining terms are analyzed in Chapter IV.

The 28 terms selected for further study were researched for their meanings as expressed in contracting literature, glossaries,

American language and law dictionaries, handbooks, textbooks, and Government directives and instructions. A set of synthesized definitions was produced utilizing the meaning most commonly found in the published definitions included in Appendix B. These preliminary synthesized definitions formed the basis of the initial questionnaire utilized in this thesis.

Large scale telephone surveys, or questionnaires sent to people on mailing lists of Government and industry contracting personnel were considered impractical to establish consensus. The drawback to these methods is that they demand an inordinate amount of time and effort and the results may not be representative of the mainstream of Defense contracting. A written questionnaire was considered superior to a telephone survey because it was thought that those surveyed would be given more time to think about the terms being defined and would respond with much more detailed and constructive ideas. The solution chosen was a written questionnaire sent to a select representative sample of contracting professionals. By surveying a seasoned group of people, all with significant contracting experience and knowledge, it was hoped to represent the whole body of contracting personnel.

The seasoned group of people from the contracting community was taken from the membership of the National Contract Management Association (NCMA). NCMA is the only national organization which focuses its attention on predominantly Federal Government acquisition and contracting. NCMA provides a forum for



the contracting discipline to use in furthering discussion and education, and sponsors a professional certification program which recognizes professional competence in the management of contracts. NCMA's membership represents many different levels of competence, and is composed of people from Government and industry. An NCMA member who completes a number of preset requirements which are representative of professional achievement in the contracting discipline is recognized as an NCMA Fellow. NCMA's general membership numbers approximately 23,000 individuals of which approximately 600 have achieved the recognition of being selected as a Fellow. The experience and expertise represented by NCMA Fellows made them an excellent representative sample of the contracting discipline.

The initial questionnaire was sent to fifteen NCMA Fellows for a pre-survey designed to reduce the possibility of problems or flaws that might affect the quality of the results of a larger survey. These fifteen Fellows were selected based upon their experience and their professional reputations. They have served previously or are serving presently at the highest levels of the contracting discipline, representing both Government and industry. The incorporation of their comments shaped the synthesized definitions which became the body of the final questionnaire (Appendix C) used in a larger survey.

The larger survey of NCMA Fellows was then undertaken. The final questionnaire was sent to approximately 200 NCMA Fellows. In

the opinion of the researcher, 200 questionnaires represented an administratively manageable quantity based on the expectation that 25 to 35 percent of the questionnaires distributed would be completed and returned. The 50 to 70 expected responses were considered to be large enough to achieve a representative consensus. The selection of 200 Fellows from the total of approximately 600 Fellows was done qualitatively by the researcher. The majority of the Fellows selected possessed current certifications as Certified Professional Contracts Managers (CPCM) from NCMA, and represented manufacturing, consulting, academia, and the Federal Government. Of the approximately 200 questionnaires distributed, a total of 66 responses were received and analyzed.

## **E. LITERATURE REVIEW**

The Defense Logistics Studies Information Exchange (DLSIE) was queried but did not contain any information on the formation of a dictionary which would standardize term meanings. The Federal Legal Information Through Electronics (FLITE) was also queried but did not produce material which was of direct use in this thesis effort. The initial research leads came from the review of various bibliographies included in completed theses from the Naval Postgraduate School (NPS) and the Air Force Institute of Technology (AFIT), as well as from compiled bibliographies such as the Bibliography of Procurement Education Materials published by the National Contract Management Association (NCMA).

Published dictionaries, glossaries from textbooks, handbooks, guides, and compendiums, published articles in professional journals, Department of Defense (DOD) and Service directives, instructions, and other similar materials were utilized to provide examples of word meanings as used in practice. Other sources included Federal agency regulations and a review of publications and periodicals related to the field of Federal contracting.

## **F. ORGANIZATION OF STUDY**

The focus of this thesis is to establish the basis for a concise dictionary of contracting words and terms. Once established, the dictionary can grow and evolve to serve as a basic foundation upon which the contracting discipline can rely in carrying out its duties and responsibilities.

Chapter I puts forth background information which demonstrates the need to establish a dictionary of contracting words and terms. This first Chapter has identified the research objectives, questions, methodology and applicable literature. Chapter III is the first of two analysis chapters and focuses on the synthesized definitions which generated the most comment from questionnaire respondents. Each chapter is divided into sub-sections which begin with an analysis of the questionnaire definition synthesis process. Each sub-section continues with an analysis of questionnaire responses and concludes with a proposed definition, arrived at through consensus, along with synonyms and antonyms. Chapter IV focuses on all the remaining terms. Chapter V contains conclusions,

recommendations, answers to the research questions, areas which require further investigation and concludes the thesis effort.



### **III. ANALYSIS OF CONTROVERSIAL TERMS**

#### **A. INTRODUCTION**

This chapter is the first of two chapters which deal with the results of the questionnaire. The results are separated into two chapters to facilitate analysis of the responses to the synthesized definitions. This chapter includes those terms which generated the most comment. The remaining terms are analyzed in Chapter IV. The terms analyzed are presented in alphabetical order in each chapter.

Each sub-section of the following two chapters has the same format. Section "a" examines the definition synthesis process. Section "b" looks at the results of the questionnaire including respondent input concerning the synthesized definitions. Section "c" offers the proposed definition along with recommended synonyms and antonyms to be included in a dictionary of contracting words and terms based upon consensus.

In arriving at a final proposed definition, certain recommendations from the respondents were incorporated into the definition even though the majority of the respondents supported the synthesized definition as it was proposed in the questionnaire. The recommendations were used only if they did not change the main thrust of the synthesized definitions. The consensus achieved through the use of the questionnaire process was not compromised.

## **B. TERM ANALYSIS**

### **1. Acquisition**

#### **a. Definition synthesis:**

The term "acquisition" was one of the most difficult terms to synthesize in this entire effort. Looking at the collected definitions in Appendix B, it can be seen that there are a number of definitions which support the idea that acquisition encompasses the entire process of acquiring supplies or services. However, a few of the definitions disagree as to whether acquisition includes the establishment of needs. Other definitions do not go to the depth that is necessary to get to this level of specificity. The idea that "acquisition" should be the all encompassing term to include "procurement", "contracting", or "purchasing" as subsets is not supported by the published definitions. Hopefully at the completion of this effort, a clear relationship can be established between these often interchangeably used terms. The lack of clear agreement on a meaning of the term "acquisition" made the synthesizing of a definition more difficult in that it was not possible to give one concise definition which encompassed all aspects of the term. The solution was to offer four definitions which attempted to cover the breadth of meanings espoused by the definitions in Appendix B. The definition as synthesized was:

**ACQUISITION:** (Sometimes used interchangeably with contracting, procurement or purchasing).

- (1) The act by which one acquires ownership of anything.
- (2) The act of acquiring supplies or services for the use of an activity through purchase or lease.

(3) In Federal Government: encompasses the entire spectrum of actions in acquiring supplies or services through purchase or lease, including construction, whether the supplies or services exist or not.

(4) In major systems: the process of obtaining major systems through the application of the following phases: concept exploration, concept demonstration/validation, full scale development, production, logistic support review, and major upgrade/system replacement.

#### **b. Results:**

Twenty nine respondents supported the definitions as they were synthesized. Another 28 offered responses which ranged from minor modifications to removing three of the four definitions. Some of the comments included:

- Since the phase names change from time to time in major systems acquisition, recommend that the definition be changed to say: In major systems: the process of obtaining major systems through definition of requirements, scientific and engineering analyses, procurement, cost accounting and management functions.
- Definitions three and four do not mention the contracting process per se (the respondent did not offer an alternative however).
- Add something like the following to definition one: by contractual agreement, cooperative agreement or grant. Acquisition occurs when funds are dispersed by regulated, negotiated or otherwise agreed methods in return for effort, services and/or deliverables.
- Acquisition must begin much earlier in the procurement process.
- Definition one should not be limited to ownership. Legal possession may occur through rental or lease as well.



- Don't like any of the definitions, but don't have a good suggestion.
- Add requirements determination to definition four.
- Many people summarily exclude the processing and delivery of items from the concept of acquisition. Suggest the "entire spectrum" be defined to include the flow of materials through inspection and delivery.
- Acquisition is a more generic term of which procurement and contracting are subsets. Acquisition covers a considerably broader scope of activities than do the terms contracting, procurement, or purchasing.

It can be seen that a wide difference of suggestions were offered for the modification of the synthesized definitions. The responses prompted some changes to the synthesized definitions based upon the number of similar responses received. Synthesized definitions two and three were combined to form proposed definition two. Synthesized definition four remained substantially the same except for changing "major" to "complex" in the body of the definition. It was suggested that synthesized definition four be included as a comment in support of the proposed definitions instead of a definition itself. This recommendation was not followed. The reason was that published American language dictionaries include amplifying comments in addition to primary definitions as a matter of course. This effort follows that example.

**c. Proposed definition(s) based upon responses:**

**ACQUISITION**

(1) *The process by which one attains legal possession of something.*

(2) *The entire spectrum of actions, from planning through use, in attaining supplies, services, or systems through purchase, lease, or any combination, including construction, whether the supplies, services, or systems exist or not.*

(3) *In major systems: the process of obtaining complex systems through the application of the following phases: concept exploration, concept demonstration/validation, full scale development, production, logistic support review, and major upgrade/system replacement.*

- **Synonyms:** *Contracting, buying, acquiring.*
- **Antonyms:** *Selling, disposal, divestiture, terminating.*

**2. Buying-in**

**a. Definition synthesis:**

The term "buying-in" was not difficult to synthesize. The meaning of the definitions used in practice all followed the same theme and the synthesis was mainly a practice in word smithing. The definition as synthesized was:

**BUYING-IN:** The practice of submitting an offer below anticipated costs in order to obtain a contract award expecting to gain benefit through contract changes or follow on contracts or achieve/protect market status.

**b. Results:**

This term did generate a number of comments from the respondents. Thirty four of the respondents agreed with the

synthesized definition as it was presented in the survey. Another 21 had comments which slightly modified the synthesized definition but there were no major changes recommended. Some of the comments or observations concerning this term included:

- The synthesized definition emphasized the negative aspects of the term while ignoring the positive aspects such as keeping the production line operating by meeting fixed costs.
- A very sensible matter that is heatedly discussed in ambivalent terms. Supposed to be unfair, builds in overruns, but is also an inalienable right to anyone in the marketplace.
- Sometimes used to keep the work force going. As long as costs are covered, profit is not considered. Also used to gain entry into a new product line.
- Only poor contract managers let contract changes occur.
- Not an ethical practice.

**c. Proposed definition based upon responses:**

**BUYING-IN**

*A management practice of knowingly submitting an offer below anticipated costs or with no profit or fee with intent to obtain a contract award expecting to gain benefit and recoup losses through contract changes or follow on contracts. May also intend to achieve or protect market status or obtain access to new technology, or for other reasons.*

- **Synonyms:** *Low-balling, stealing the job, quote low, under estimating.*
- **Antonyms:** *High-balling, overpricing, monopolistic pricing, quote high, over estimating.*

### **3. Change**

#### **a. Definition synthesis:**

This term was difficult to synthesize because very few published definitions could be found. Most definitions were very specific including engineering change, design change, specification change, constructive changes, or modifications. Very few definitions looked at the overall term itself. The definition as synthesized was:

**CHANGE:** A buyer or seller proposed modification of the terms of a contract which may alter the original specifications but should not exceed the scope of the contract as originally priced.

#### **b. Results:**

Only 17 respondents agreed with the synthesized definition as offered in the survey. Twenty nine respondents had comments or observations on the synthesized definition. For example:

- A number of respondents observed that using the word "priced" could cause problems. One recommended solution was to replace "priced" with "intended." Another said to just drop "priced" completely and end the definition with "original contract."
- The definition is incomplete in that it fails to include constructive changes.
- Change the synthesized definition to read: A contract modification of the terms of a contract which alters the original contract. This will take into account cardinal changes which do exceed the original scope of the contract.



- A change can be bilateral beyond the scope of a contract. Only a change order must be within scope.
- The scope of work concept falls apart in the real world. Scope can mean anything you want it to mean.
- Scope issue requires resolution or it will still cause problems.

Some modifications to the synthesized definition occurred as a result of respondent feedback. The phrase "buyer or seller proposed" was changed to "bilateral". The term "specifications" was changed to "requirements" to clarify the meaning. The phrase "but should not exceed the scope of the contract as originally priced" was removed in its entirety as many respondents pointed out that a bilateral change can exceed the original scope of the contract if the two parties so agree.

**c. Proposed definition based upon responses:**

**CHANGE**

*A bilateral modification of the terms of a contract which may alter original requirements.*

- **Synonyms:** *Revision, alteration, modification, supplemental agreement, altered state.*
- **Antonyms:** *Permanence, fixed.*



#### **4. Change order**

##### **a. Definition synthesis:**

This definition was not difficult to synthesize. Its meaning is relatively straight forward and published definitions do not differ from one another. The definition as synthesized was:

**CHANGE ORDER:** A unilateral action by the contracting officer or buyer as allowed by contract clause, to modify a contractual requirement within the scope of a contract.

##### **b. Results:**

Approximately 29 respondents agreed with the synthesized definition as proposed. Another 19 respondents had comments or recommendations, a selection of which follow:

- The unilateral nature of the synthesized definition may not always be true. The order may be one the contractor knows about and may have initiated with a proposal. Suggest the following in place of the synthesized definition: An action by the contracting officer that directs specific work by the contractor under the changes clause of the contract, to modify a contractual requirement within the scope of a contract. A change order requires only the contracting officer's signature.
- Should include words which indicate contractor is entitled to submit a claim for equitable adjustment.
- Remove "within the scope of a contract."

- The concept of administrative or unilateral change is historically unique to government contracting in the capacity of a sovereign; not common in commercial contracting.
- The definition is true if issued under the changes clause of a contract, but the equitable adjustment as a result will actually be a change order to the contract that is not unilateral.
- May be cost or no cost.
- The scope of work concept falls apart in the real world. Scope can mean anything you want it to mean.

The synthesized definition was only slightly modified in arriving at the proposed definition. The phrase "as allowed" was changed to "authorized". The phrase "within the scope of a contract" was left intact as it was supported by a majority of the respondents.

#### **c. Proposed definition based upon responses:**

##### **CHANGE ORDER**

*A unilateral action by the contracting officer or buyer, authorized by contract clause, to modify contractual requirements within the scope of the contract.*

- **Synonyms:** *Amendment, directed change, unilateral modification, contract amendment.*
- **Antonyms:** *Bilateral contract modification.*

## **5. Cost**

### **a. Definition synthesis:**

The term "cost" was not difficult to synthesize. The published definitions were not helpful because they did not focus on the meaning of "cost" as it applies in the world of contracting. Moreover, they did offer a rough framework. The main meanings which were captured by the synthesized definitions were those of "cost" being the amount charged to a contract before the addition of profit or fee, and the use of the word "cost" to mean the total cost of a system. Both meanings were included because the word is used in both ways. The definition as synthesized was:

#### **COST:**

- (1) The amount of money or equivalent paid or charged for supplies or services before the addition of profit or fee.
- (2) The total amount of money or equivalent spent on a system including initial development, procurement, maintenance, operation and disposal costs. (See definition of life cycle cost).

### **b. Results:**

The feedback from the survey indicated that 32 respondents agreed with the synthesized definition. Another 19 respondents had comments or suggestions. Some of the comments and suggestions included:

- Cost to the buyer includes seller's markup.

- Limit the definition of cost to the amount it took to make or manufacture something or provide a service. Use price to denote the amount paid.
- Perhaps the breakdown of cost into contractor cost (contractor cost + contractor profit = contractor price) and system cost (contractor price + government cost (of development and support) = system cost).
- Change "paid or charged" to "actually expended in labor and resources."
- Add two other definitions: 3. An element of a negotiated proposal subject to audit, review, and negotiation. 4. An item specifically governed by law and regulation in Federal contracting.
- Must be allowable and allocable.
- It should be mentioned that usually cost has modifiers which clarify its application, e.g. allowable versus unallowable, fixed versus variable, or direct versus indirect.

The main impact of the comments received on the synthesized definitions for the word "cost" was to clarify proposed definition one. The responses received clearly recommended the removal of the word "paid" from the definition as it confused the meaning. Proposed definition one reflects a seller's view primarily, but it is a meaning which must be made clear to all those involved in Federal Government contracting so that they understand its specific meaning.



**c. Proposed definition based upon responses:**

**COST**

(1) *The value of resources expended in producing a product or providing a service before the addition of profit or fee.*

(2) *The total amount of money or equivalent spent on a system, product or service including initial research and development, procurement, maintenance, operation, administration and disposal costs. (See definition of life cycle cost).*

- **Synonyms:** *Consideration, charge, total cost (including general and administrative costs, taxes, royalties).*
- **Antonyms:** *None.*

**6. Purchasing**

**a. Definition synthesis:**

This term was difficult to synthesize.. Only two published definitions were found in the literature review portion of this thesis. One definition described purchasing as:

The act and the function of responsibility for the acquisition of equipment, materials, supplies, and services. In a narrow sense, the term describes the process of buying. In a broader sense, the term describes determining the need, selecting the supplier, arriving at a fair and reasonable price and terms, preparing the contract or purchase order, and following up to ensure timely delivery. [Ref. 9:p. 24]



The second definition lies between the two extremes offered in the first definition above. It reads:

Buying materials and services of the right quality, in the right quantity, at the right price, from the right source and at the right time. [Ref. 19:p. 22]

Neither of these definitions attempt to differentiate purchasing from acquisition, contracting or procurement. The definition which this researcher synthesized did attempt to make such a distinction because in Federal Government usage the term does have a separate meaning. In addition, the need to eliminate the common usage of more than two terms to convey the same meaning is vital to the establishment of a clear and concise language for the contracting discipline. Although in this researcher's opinion, we should strive to avoid the use of more than one term to convey any specific meaning, such occurrences will tend to happen. But in the case of the term "purchasing", only one meaning applies in the realm of Federal Government contracting (in the opinion of this researcher), and its basic meaning was reasonably captured by the synthesized definition. The definition as synthesized was:

**PURCHASING:** (Sometimes used interchangeably with acquisition, contracting or procurement).

The process of buying commercially available and relatively inexpensive supplies and services utilizing procedures such as purchase orders, blanket ordering agreements, prenegotiated schedules, etc.. Usually identified further as orders which fall within certain dollar limits as established by higher authority.

## **b. Results:**

This term had many respondents who agreed with the definition as it was synthesized. A total of 30 respondents agreed outright. Three respondents disagreed with the definition as synthesized. Others either recommended minor word changes or did not comment on the definition at all. Some of the responses were:

- Totally disagree that purchasing should be limited by dollar value or to relatively inexpensive supplies or services. In government, dollar value has nothing to do with it. Advise getting rid of this definition and sticking to the definitions for acquisition, procurement, and contracting.
- Too narrow.
- This word is used interchangeably with procurement to include more complex contracts or the entire spectrum of buying. Agree if the objective is to establish a differentiation between the two words.
- Replace completely with: A seller's process of buying supplies or services for the purpose of satisfying contract obligations to customers.
- Good! Limits scope to a small part of the process.
- This definition is a good one. Hope it will stop or slow down the inclination to equate purchasing with any of the other three terms.
- Recommend removing "relatively inexpensive" and "as established by higher authority" from the definition.

The recommended definition for future consideration was included because of its application to Federal Government contracting. In the proposed definition the phrases "relatively inexpensive" and "as established by higher authority" were removed in response to respondent comments and are viewed as minor changes which do not affect the consensus achieved.

**c. Proposed definition based upon responses:**

**PURCHASING**

*The process of buying commercially available supplies and services utilizing procedures such as purchase orders, blanket ordering agreements, and pre-negotiated schedules. Usually identified further as orders which fall within certain dollar limits.*

- **Synonyms:** *Buying.*
- **Antonyms:** *Selling, disposal, scrapping.*

**C. SUMMARY**

This chapter has analyzed the formation of the synthesized definitions which appear in Appendix C and the responses generated through the questionnaire process. It has also proposed final definitions, synonyms, and antonyms for the terms analyzed, based upon consensus, through feedback from the survey respondents. A summary of all proposed definitions, synonyms and antonyms can be seen in Appendix D. The next chapter will continue term analysis with a focus on synthesized term definitions which respondents generally supported as they were offered in the questionnaire.

## **IV. ANALYSIS OF ALL REMAINING TERMS**

### **A. INTRODUCTION**

This chapter continues the pattern established in Chapter III in the analysis of synthesized definitions as they were included in the questionnaire. The terms analyzed in this chapter did not generate as much disagreement as those terms in Chapter III. Most respondents agreed with the definitions as synthesized. Other respondents offered modifications to the synthesized definitions which did not effect the basic meaning of the definition or offered refinements in proposed wording which streamlined the definitions. The changes and refinements to the synthesized definitions did not alter the consensus arrived at through the questionnaire process because the basic meanings of the synthesized definitions were not changed. Some additions were made to further clarify definitions.

### **B. DEFINITIONS**

#### **1. Bill of Materials**

##### **a. Definition synthesis:**

The published definitions for this term were essentially the same with minor differences in the words used to express meaning. That made the synthesis of this definition for use in the questionnaire rather straightforward. The definition as synthesized was:



**BILL OF MATERIALS:** A descriptive and quantitative listing specifying materials, parts, and components required to produce a quantity of a particular product.

**b. Results:**

A total of 35 respondents agreed with the definition as it was synthesized. Most of the comments in the survey responses exhibited the same characteristics as the published definitions used to arrive at a synthesized definition. They exhibited only minor wording differences to arrive at the same basic meaning. Some of the respondent's comments follow:

- Analogous to the ingredients of a recipe.
- Add "system" to the definition.
- Remove "materials" and add "raw stock" to the definition.
- Add the word "complete" to the definition.
- A bill of materials can be used for a single unit or larger quantity. The phrase "a quantity" can be removed without changing the basic meaning of the definition.

The synthesized definition was modified to incorporate some of the comments received from the respondents in arriving at the proposed definition.

**c. Proposed definition based upon responses:**

**BILL OF MATERIALS**

*A complete, descriptive and quantitative list of materials, parts, and components required to produce a particular product.*

- **Synonyms:** *Parts list, parts breakout.*
- **Antonyms:** *None.*



## **2. Contract**

### **a. Definition synthesis:**

The synthesis of the definition for the term "contract" was a process of significantly narrowing the often lengthy published definitions of the term. Since many published definitions were found during the literature review portion of this thesis, it was easy to take the common aspects of most of the definitions in order to form the synthesized definition. One point of divergence from the published definitions was the concept of a contract being a "relationship" instead of an "agreement" as most of the published definitions did. It was thought essential to establish the meaning of a contract as an ongoing relationship versus an agreement which connotes a "paper contract" which often becomes the focal point of disputes. If a relationship is established, there is more likelihood that both parties will successfully reach their objectives. The definition as synthesized was:

**CONTRACT:** A mutually binding relationship enforceable by law, expressing the mutual assent of two or more legally competent parties to do something they are not otherwise required to do, or not to do something they would otherwise have a right to do, for legal consideration.

### **b. Results:**

A total of 37 respondents agreed with the definition as it was synthesized. There were no disagreements. A number of respondents offered suggestions or alternative definitions, a selection of which follow:

- Basically agree but I would prefer spelling out the four elements of a contract as: 1. Offer and acceptance; 2. Consideration; 3. Competent parties; and 4. Legality of purpose.
- Replace "by law" with "through legal means". Also suggests the following as a definition of contract: A business agreement to provide goods or services in exchange for different goods or services or other consideration.
- Replace "relationship" with "agreement".
- Change the opening phrase to: A mutually binding document depicting a relationship.....

The proposed definition of "contract" was not changed from that of the synthesized definition. It could possibly be made more concise but not without a loss of meaning. "Purchase order" was recommended as a synonym but was not included. A purchase order is not a contract until accepted or until acted upon by another party and is therefore not a true synonym. The meaning of "purchase order" should be kept separate and distinct from the meaning of the term "contract".

**c. Proposed definition based upon responses:**

**CONTRACT**

*A mutually binding relationship enforceable by law, expressing the mutual assent of two or more legally competent parties to do something they are not otherwise required to do, or not to do something they would otherwise have a right to do, for legal consideration.*

- **Synonyms:** *Agreement, pact.*
- **Antonyms:** *None.*

**3. Contracting**

**a. Definition synthesis:**

Interestingly, only two published definitions of the term "contracting" were located during the literature review. That fact was surprising to this researcher as the term is used extensively by people associated with the contracting field. Both published definitions agreed that "contracting" entailed obtaining supplies and services from outside the government. One definition said the required supplies and services were to be obtained from "business and industry" [Ref. 8:p. 50] and the other said they were to be obtained from "nonfederal sources" [Ref. 11:Part 2.101]. The synthesized definition was developed by combining this meaning with the other meanings embodied in the two definitions. The definition as synthesized was:

**CONTRACTING:** (Sometimes used interchangeably with acquisition, procurement or purchasing).

The entire spectrum of actions associated with obtaining supplies and services from business and industry from initial requirement description through contract closure.

**b. Results:**

A total of 34 respondents agreed outright with the synthesized definition. A number of respondents had specific comments on this term's synthesized definition or included general comments. They included:

- Originally the term contracting was what the vendor did, i.e., contracting to perform. Purchasing was what the buyer did.
- Replace the word "closure" with "completion", as closure is part of contract completion.
- What's the difference between business and industry?
- The distinction between contracting as a "spectrum of actions" and procurement as "the function of obtaining" is not clear.
- Sometimes this term is confusing to the general public who think that the term refers to the construction trade. Recommend the use of the term contracts vice contracting.
- Contracting is a process to accomplish acquisition. It is a subset, as is logistics and training.
- Add "construction" to the definition for clarity.

The proposed definition did not change much from the synthesized definition as a result of the questionnaire process. The term "construction" was added for clarity, and "closure" was



replaced by "completion". The term "business and industry" was kept intact because the term implies that business supplies off the shelf items while industry manufactures products.

The majority of the respondents agreed with the definition as it was synthesized. As synthesized, the definition of "contracting" is synonymous with the definition of the term "acquisition", and yet is differentiated from the definitions of the terms "procurement" and "purchasing". The response to the questionnaire shows that the terms "acquisition" and "contracting" do share a very similar meaning in the opinion of those responding. The response also shows that the terms "procurement" and "purchasing" should be differentiated from the terms "acquisition" and "contracting". The results from the questionnaire process bears this out.

**c. Proposed definition based upon responses:**

**CONTRACTING**

*The entire spectrum of actions associated with obtaining supplies, services, and construction from business and industry from initial requirement description through contract completion.*

- **Synonyms:** *Acquisition, buying.*
- **Antonyms:** *Disposal, scrapping.*

#### **4. Direct cost**

##### **a. Definition synthesis:**

This synthesized definition closely matched the published definitions located during the research effort. One of the published definitions went into greater detail concerning costs, but otherwise the two were very similar. The definition as synthesized was:

**DIRECT COST:** Costs specifically identifiable with a contract requirement; including but not restricted to costs of material and/or labor directly incorporated into an end item.

##### **b. Results:**

This definition did not generate much comment. Those respondents who did comment made general observations and suggestions on wording to amplify the meaning of the definition. Thirty eight respondents agreed outright with the synthesized definition. A selection of the comments of the questionnaire respondents follows:

- "Identifiable" is a key word in the definition.
- Add that the costs need to be "allowable and allocable".
- Broaden the definition a little to include the word "or objective" after "requirement" in the definition.
- Add "or directly in support of a cost objective" at the end.
- Replace "identifiable" with "identified" and add "and attributable to" after the word "with".
- As an alternative definition suggest "A cost specifically related to the item or product in mention."

Two respondents directed this researcher to the FAR. The FAR definition was one of the published definitions included in those used to construct the synthesized definition. The only divergence from the FAR definition was that "final cost objective" was changed to "contract requirement" for clarity. By using "contract requirement" it was hoped that the definition would be easier to understand without having to look up another term's meaning (i.e., the meaning of "final cost objective"). The proposed definition was not altered due to the number of respondents who agreed with the definition as it was synthesized. The terms "allowable" and "allocable" are included in the list of candidate terms in need of definition. Their use to modify the synthesized definition was not deemed necessary by the researcher. The suggestion to include "or directly in support of a cost objective" at the end of the proposed definition was not utilized because it was thought to be implied by the synthesized definition.

**c. Proposed definition based upon responses:**

**DIRECT COST**

*Costs specifically identifiable with a contract requirement; including but not restricted to costs of material and/or labor directly incorporated into an end item.*

- **Synonyms:** *Cost objective, expense.*
- **Antonyms:** *Indirect cost, overhead, general and administrative costs.*

## 5. Direct material

### a. Definition synthesis:

Synthesizing this definition was straightforward and did not prove difficult. The definition was kept short and concise. The definition as synthesized was:

**DIRECT MATERIAL:** Material, including raw material, purchased parts, subcontracted items, etc., identifiable to a contract requirement.

### b. Results:

The synthesized definition gathered 41 direct agreements from questionnaire respondents. Only one suggestion directly addressed the content of the synthesized definition. It said:

- Suggest adding the phrase "directly incorporated into an end item" (used in the definition for direct cost) instead of using "etc" in the definition of direct material.

Since this suggestion made sense, and since the phrase referred to was not objected to in any of the responses to the "direct cost" definition as synthesized, it was included.

### c. Proposed definition based upon responses:

#### **DIRECT MATERIAL**

*Material, including raw material, purchased parts, and subcontracted items, directly incorporated into an end item, which is identifiable to a contract requirement.*

- **Synonyms:** *None.*
- **Antonyms:** *Indirect material, common items.*



## **6. Express**

### **a. Definition synthesis:**

The term "express" was not difficult to synthesize. The published definitions of the term used the same meaning but with slightly different wording. The reader might ask, why then was the term "express" included in this effort at all? The reason was that "express" was a term which was used in the contracting discipline, especially in contract administration, which would be rather easy to define by both the researcher and the people surveyed. It was to serve as a "base" term to measure the reaction of those surveyed to a non-controversial term. The definition as synthesized was:

**EXPRESS:** Direct; explicit; exact; precise; specific; language which manifests these characteristics and is not left to interpretation or inference.

### **b. Results:**

As expected, this term experienced little controversy. Forty two respondents agreed with the definition as synthesized. Only a few comments were received. They were:

- Try and keep the definitions simple. The phrase "which manifests these characteristics" can be said more easily.
- Is this word really applicable to the acquisition process?

The phrase questioned in the comment above is considered clear by the researcher. Since the questionnaire respondents almost universally agreed with the definition as synthesized, the proposed definition is the same as the synthesized definition.

**c. Proposed definition based upon responses:**

**EXPRESS**

*Direct; explicit; exact; precise; specific; language which manifests these characteristics and is not left to interpretation or inference.*

- **Synonyms:** *Explicit, exact, precise.*
- **Antonyms:** *Implied, ambiguous, general, unclear, inferred, between the lines, imprecise, indirect, assumed, vague.*

**7. Fee**

**a. Definition synthesis:**

This definition was somewhat difficult to synthesize because the published definitions of the term all attempted to "explain" what fee meant instead of just defining the term, thereby confusing the meaning and not offering a common, clear definition of the term. The synthesized definition attempted to capture the meanings advocated by the published definitions into a short, concise definition. The synthesized definition was broken down into three parts to accomplish this task.

The definition as synthesized was:

**FEE:**

- (1) A fixed charge for a professional service.
- (2) Fixed payments for contractual considerations such as incentives and risks.
- (3) Fixed payment in addition to reimbursement of allowable costs on cost type contracts.

## **b. Results:**

The respondents to the questionnaire were very perceptive and offered very constructive criticism of the synthesized definition. Twenty eight respondents agreed with the definition as synthesized. There were also a number of comments on the synthesized definition. They were:

- Suggest that you consider the following: "the profit portion of total price."
- The use of the word "fixed" is not correct. Fee can be variable if it is related to incentive type contracts. Also, fee may be based on performance (award fee) and therefore is not considered "fixed".
- Add the following definition: "a rate or percentage is used in cost type and other (labor hour, time and materials) type contracts in lieu of the word 'profit'."

A number of questionnaire respondents offered the same general comment regarding the use of the word "fixed" in the synthesized definition. The researcher agrees with these comments completely. This is a prime example of why the process of defining contracting words and terms has to be performed through achieving consensus. The word "fixed" was removed from all three parts of the synthesized definition in arriving at the proposed definition and "A" was substituted in its place.

**c. Proposed definition based upon responses:**

**FEE**

- (1) *A charge for a professional service.*
- (2) *A payment for contractual considerations such as incentives and risks.*
- (3) *A payment in addition to reimbursement of allowable costs on cost type contracts.*
- **Synonyms:** *Profit.*
- **Antonyms:** *Loss.*

**8. Guarantee**

**a. Definition synthesis:**

The term "guarantee" was somewhat difficult to synthesize. This was due to the lack of published definitions of the term in contracting literature. The researcher was forced to use much of the knowledge he had of the term along with the published definitions to construct the synthesized definition. This term was one of those selected which was thought to be controversial. The definition as synthesized was:

**GUARANTEE:** An assurance of the quality of a product or service from the seller to the buyer often with a promise of reimbursement, repair or replacement for failure to perform or function as specified.



## **b. Results:**

Thirty three respondents agreed with the definition as synthesized. However, a number of the respondents had comments, a selection of which follow:

- A guarantee usually includes a time limit.
- Should include this definition with the warranty definition.
- If a service is provided, is reperformance a factor of "guarantee"?
- Suggest the following: "An extension of the acceptance period during which the seller agrees to repair or replace defects at no additional charge."
- Add the word "express" to the definition to communicate that the guarantee is supported by specific language spelling out what the guarantee entails.
- A definable method of providing consideration or correction of defective material for a specified period of time.

The term "guarantee" can be distinguished from the term "warranty" by looking at the use of the two terms. A "guarantee" is usually used during the time period immediately after a buyer takes legal possession of a product or service. The product or service is guaranteed for a period of time after it is sold. A "warranty" on the other hand is an "extended guarantee". Its use is seen in "extended warranty plans" and the like. The execution of a warranty does not have to apply immediately. The time period covered under a warranty is a matter of negotiation between the buyer and the seller. A warranty usually comes into existence when a buyer

agrees to pay for an extended period of coverage above and beyond a guarantee.

Two respondents observed that the period after buyer acceptance is the period in which a guarantee applies. Such an observation requires that the term "acceptance period" be defined. The researcher agrees with this observation but considers the concept of an acceptance period to be implied in the synthesized definition. Since the concept of an acceptance period was not expressed as part of the synthesized definition and could change the meaning of the synthesized definition as used in the questionnaire, it was not incorporated into the proposed definition. The observation that a specific time period should be included in the definition was shared by a number of respondents and was considered appropriate by the researcher and was therefore included in the proposed definition. Its inclusion does not change the basic meaning of the synthesized definition and it does complement the implied concept of an acceptance period. The concept of "reperformance" (of a service) was also included in the proposed definition.

**c. Proposed definition based upon responses:**

**GUARANTEE**

*An assurance of the quality of a product or service from the seller to the buyer often with a promise of reimbursement, reperformance, repair or replacement for failure to perform or function as specified. Usually applies over a specific time period immediately following acquisition.*

- **Synonyms:** *Warranty.*
- **Antonyms:** *As is, disclaimer.*

**9. Imply**

**a. Definition synthesis:**

This term was selected because it was thought to be a relatively noncontroversial term which could be used to help establish a method to be followed in establishing the dictionary of acquisition and contracting terms. The synthesis of the definition for the term "imply" was relatively straightforward even though there were not many published definitions found in contracting literature. The researcher considered the term important due to its use in the field of contract administration. The definition as synthesized was:

**IMPLY:** To indirectly convey meaning or intent; to leave the determination of meaning up to the receiver of the communication based upon circumstances, general language used, or conduct of those involved.

## **b. Results:**

This term had 42 respondents agreeing to the definition as synthesized. Only two respondents disagreed, and their disagreement was based not on the synthesized definition but their opinion that the term should not be addressed in a dictionary of contracting terms. A sample of the comments received include:

- Suggest you consult with lawyers on this most important definition.
- A component of the doctrine of apparent authority.
- "Leave it to the lawyers."
- The word receiver might be made plural.

Lawyers were in fact consulted in the construction of the synthesized definition. In addition, one of the sources of the definition found in published literature was an accepted legal dictionary. The concept of apparent authority was added to the list of words and terms requiring further definition. That such a word should be left to the lawyers is inconsistent with the establishment of a dictionary and the reason for having a dictionary in the first place. The synthesized definition became the proposed definition without any changes.



**c. Proposed definition based upon responses:**

**IMPLY**

*To indirectly convey meaning or intent; to leave the determination of meaning up to the receiver of the communication based upon circumstances, general language used, or conduct of those involved.*

- **Synonyms:** *Infer, read between the lines, hint, suggest.*
- **Antonyms:** *Express, specify, declare, direct, state.*

**10. Indirect cost**

**a. Definition synthesis:**

The synthesized definition of the term "indirect cost" was not difficult to synthesize. There were numerous published definitions to use and all of them shared a common meaning. Many of the published definitions used the phrase "final cost objective" in their definition. The researcher substituted the phrase "contract requirement" as a result of one of the responses received during the pilot questionnaire process utilized in this thesis effort. It was suggested that using "contract requirement" in place of "final cost objective" would be clearer. It would also alleviate the need to look up the meaning of "final cost objective" in the dictionary. The definition as synthesized was:

**INDIRECT COST:** Any cost incurred for common objectives not directly identifiable with a specific contract requirement and not subject to treatment as a direct cost.

## **b. Results:**

A total of 38 respondents agreed with the definition as it was synthesized. There were also a number of comments and suggestions offered. They included:

- Suggest the following: "Costs which benefit more than one cost objective and which it is imprudent or unreasonable to assign to one cost objective."
- Add the following to the end of the synthesized definition: "which is applied on a prorata or percentage basis according to the work through-put, on some measure such as hours or dollars."
- Wouldn't "contract objectives" be better than the word "common"?
- Replace the word "and" with "or".

The proposed definition contains only one change to the synthesized definition. The word "and" is replaced with "or". This change makes the definition more accurate.

## **c. Proposed definition based upon responses:**

### **INDIRECT COST**

*Any cost incurred for common objectives not directly identifiable with a specific contract requirement or not subject to treatment as a direct cost.*

- **Synonyms:** *Overhead, general and administrative expense, distributed cost, burden.*
- **Antonyms:** *Direct cost.*

## **11. Life cycle cost**

### **a. Definition synthesis:**

The term life cycle cost was not difficult to synthesize. The published definitions supported a common meaning and the synthesized definition simply grafted the published definitions together and distilled the result. The definition as synthesized was:

**LIFE CYCLE COST:** Total cost of ownership of a system over its entire lifetime including research, development, test, production, deployment, operation, maintenance and disposal.

### **b. Results:**

The comments from respondents were supportive of the synthesized definition with 40 outright agreements with the definition. Two of the specific comments are:

- Use of the word "ownership" is confusing. It is inconsistent with research and development and other actions which occur prior to ownership. Recommend: (1) The total cost of a system; (2) The total cost of ownership which would begin after acquisition.
- Should include training in the definition.
- Do not limit the definition to systems.

The use of the word "ownership" in the synthesized definition of "life cycle cost" is intended to apply to Federal Government contracting. As such, it includes research and development as well as prototyping, test and evaluation, production and ongoing support. To say that "ownership" occurs after acquisition does not recognize those costs incurred prior to acquisition. By definition, acquisition

includes concept exploration, concept demonstration and validation, and full scale development. "Ownership" includes actions such as research and development and is therefore correctly used in the synthesized definition. Although training was not specifically included in the synthesized definition, a number of respondents recommended its inclusion in the proposed definition. Since the inclusion of training will not alter the basic meaning of the definition as synthesized, it is included in the proposed definition. In addition, the application of the definition of life cycle costs to systems only can be changed with out changing the basic meaning of the definition as synthesized, so the word "item" was incorporated into the proposed definition.

**c. Proposed definition based upon responses:**

**LIFE CYCLE COST**

*Total cost of ownership of an item or system over its entire lifetime including research, development, test, production, deployment, training, operation, maintenance and disposal.*

- **Synonyms:** *System cost, total cost of ownership, price plus maintenance expense.*
- **Antonyms:** *Purchase price only.*

**12. Negotiation**

**a. Definition synthesis:**

A number of published definitions were located for the term "negotiation". They all shared the same basic meaning so the



synthesization of a definition was straightforward. The definition as synthesized was:

NEGOTIATION: A process between buyers and sellers seeking to reach mutual assent on a matter of common concern thru bargaining and persuasion.

**b. Results:**

A total of 33 respondents agreed with the definition as it was synthesized. A number of comments were generated on this synthesized definition. The comments included:

- The word "agreement" is preferable to the word "assent" because it is more broad and connotes more a meeting of the minds.
- Add another definition: (2) Government acquisition of supplies or services including construction by other than sealed bidding procedures.
- Add the phrase "fact finding" to the definition.

The comments received on the synthesized definition of "negotiation" were very appropriate. Upon reflection, this researcher feels that the addition of the recommended definition of "negotiation" (government acquisition of supplies or services including construction by other than sealed bidding procedures) is appropriate, especially since the dictionary to be established by this thesis applies to Federal Government contracting. This meaning of the term "negotiation" was completely overlooked in the synthesization process. However, the researcher considers it vital to a complete definition of the term. The first definition applies to

the term in a global sense while the second definition applies in a more specific sense.

The inclusion of "fact finding" is also considered appropriate in the first definition and does not alter the basic meaning of the term as proposed in the synthesized definition. The word "assent" will also be changed to "agreement" to more broadly encompass the meaning of the term "negotiation".

**c. Proposed definition based upon responses:**

**NEGOTIATION**

*(1) A process between buyers and sellers seeking to reach mutual agreement on a matter of common concern through fact finding, bargaining and persuasion.*

*(2) Government acquisition of supplies or services including construction by other than sealed bidding procedures*

- **Synonyms:** *Bargaining, bartering, discussion.*
- **Antonyms:** *Sealed bidding, force.*

**13. Price**

**a. Definition synthesis:**

The term "price" was not difficult to synthesize because there were many published definitions with which to work. A number of the published definitions were very broad. Others were more specific and shared a common basic meaning from which the synthesized definition was derived. The definition as synthesized was:

**PRICE:** The amount of money or equivalent paid or charged for supplies or services including cost and profit or fee.

**b. Results:**

The synthesized definition of "price" did not generate significant comment. Forty four respondents agreed with the definition as it was synthesized. Only one comment addressed the meaning of the synthesized definition. It said:

- Leave out "or fee" as it may lead one to believe that cost + fee = price.

This comment definitely had merit, but since it was not interpreted to be confusing to any other of the respondents and due to the outright agreement with the synthesized definition, no change was made in the synthesized definition. The phrase "(See definition of cost)" was added after the synthesized definition to alert readers to a closely related definition.

**c. Proposed definition based upon responses:**

**PRICE**

*The amount of money or equivalent paid or charged for supplies or services including cost and profit or fee. (See definition of cost).*

- **Synonyms:** *None.*
- **Antonyms:** *None.*

## **14. Procurement**

### **a. Definition synthesis:**

The synthesis of the definition for the term "procurement" was a difficult one. This fact stemmed mainly from the fact that there were many published definitions of the term. In addition, the definitions differed greatly which made the synthesis process more difficult. Some of the published definitions included additional functions such as materials supervision, inventory control, and receiving. These functions are not part of "purchasing" as used in the Federal Government and therefore could not be included as a basis for definition synthesis. The synthesis process entailed the selection of portions of the published definitions and then selecting the common meaning. The opinion of the researcher concerning the term "procurement" also helped shape the synthesized definition. The definition as synthesized was:

**PROCUREMENT:** (Sometimes used interchangeably with acquisition, contracting or purchasing).

The function of obtaining material or services using the techniques included in both sealed bidding and negotiation. To be differentiated from acquisition in that procurement can occur independently of the acquisition process, but the acquisition process cannot occur without the procurement process.

### **b. Results:**

Thirty five respondents agreed with the synthesized definition. A number of others had comments on the definition and a selection of their comments follow:



- It's not clear how procurement can occur independently of acquisition. If they are subsets of acquisition, they necessarily are an integral part of that process and can not be carried on independently.
- Concept of differentiation is not clear.
- The differentiation of procurement and acquisition is a good point.
- Replace the word "material" with "goods".
- Delete "to be differentiated from" from the definition.

Five respondents commented on the differentiation of "procurement" from "acquisition" saying that the concept is not clear. If the definition is read carefully, it can be seen that procurement identifies the function of procurement, or the technical side of the process, while acquisition is more concerned with the overall process. The proposed definition retained the differentiation between the "acquisition process" and the "procurement function" but reworded the sentence slightly to emphasize the difference. The comment that the term is sometimes used interchangeably with acquisition, contracting, or purchasing was removed from the proposed definition. Since consensus was reached on the meaning of "procurement" versus "acquisition", the researcher decided that the comment was no longer necessary. The word "material" was replaced with the word "goods" to make the proposed definition more fluid.

**c. Proposed definition based upon responses:**

**PROCUREMENT**

*The function of obtaining goods or services using the techniques included in both sealed bidding and negotiation. To be differentiated from acquisition in that the procurement function can occur independently of the acquisition process, but the acquisition process cannot occur without the procurement function.*

- **Synonyms:** *Buying, obtaining.*
- **Antonyms:** *Disposal, destruction.*

**15. Profit**

**a. Definition synthesis:**

The definition of the term "profit" was relatively easy to synthesize. The published definitions located were straightforward in their meanings which facilitated the synthesis. The definition as synthesized was:

**PROFIT:** The net proceeds from producing a product or performing a service when costs are contrasted with revenues.

**b. Results:**

After reading the comments from the respondents it was evident that this synthesized definition was not very clear. Although 32 respondents agreed with the synthesized definition, many respondents suggested similar wording changes which make sense to incorporate. The suggested changes and other comments follow:

- Use another definition. This one is not clear enough and may confuse beginners and the public.
- How about:  $\text{Revenue} - \text{Costs} = \text{Profit}$ ?
- Replace "producing" with "the sale of" or "selling" to clarify this definition. Remove "performing" completely.
- Change "contrasted with" to "subtracted from". Also add the following to the end of the definition: "may be positive (profit) or negative (loss)". Another possible definition is "A reward for risk taken, a return on investment, a return on cost."
- Modify the word "costs" with "total" to make sure the total costs are considered.
- Be careful with the definitions of "profit" and "fee" because they are often used interchangeably.

The most common suggestion received was to change the phrase "contrasted with" to "subtracted from". After reading the synthesized definition with this change inserted, this researcher concluded that the definition was clearer and more understandable and should therefore be incorporated into the proposed definition.

The changing of the phrase "producing a product or performing a service" to "selling a product or service" achieves a clearer and more concise definition and does not materially alter the meaning of the synthesized definition. It was therefore included in the proposed definition.

The suggestion to add "may be positive (profit) or negative (loss)" to the end of the definition also contributes to the overall

clarity of the definition while not changing the basic meaning of the synthesized definition. It was therefore added to the proposed definition.

The suggestion to modify the word "costs" with "total" was not felt to be necessary as profit can be looked at on an individual unit level or an aggregate level. Leaving the modification up to the reader is preferable. The simplistic "definition" of Revenue - Costs = Profit left too much unsaid.

**c. Proposed definition based upon responses:**

**PROFIT**

*The net proceeds from selling a product or service when costs are subtracted from revenues. May be positive (profit) or negative (loss).*

- **Synonyms:** *Mark-up, margin, earning, bottom line, return, "in the black".*
- **Antonyms:** *Loss, "in the red".*

**16. Quality**

**a. Definition synthesis:**

The term "quality" was not difficult to synthesize based on the published definitions. The definition as synthesized was:

**QUALITY:** All attributes of a product including reliability, maintainability, ease of use, durability, performance, suitability, etc. which satisfy a given need.



## **b. Results:**

Thirty four respondents agreed with the definition as it was synthesized. Other respondents had suggestions or comments on the definition. They include:

- The definition of quality is closely related to value as are many other terms used in the questionnaire. Suggest you add a definition for value and draw some distinctions between quality and value.
- "Quality also includes the measure or extent to which a product or service satisfies the specification or requirements."
- Agree except add "utility" to your description of the attributes of a product.
- Add: "the meeting of required specifications" after the phrase "All attributes of a product including".
- Suggest: "The minimum specified requirements describing the desired product or service being acquired".
- Replace "need" with "requirement".

Since "quality" is a topic which is so sensitive, especially in today's contracting environment, it was expected that the synthesized definition would generate a significant amount of comment from those participating in the questionnaire process. Surprisingly, that was not the case. The suggestion to include the concept of "meeting required specifications" was considered in the proposed definition because it is indeed a part of the meaning of quality and it does not change the basic meaning of the synthesized

definition. Since the addition of the word "utility" does not change the basic meaning of the synthesized definition, it too was added to the proposed definition. The word "need" however was not changed to "requirement" because the researcher felt that the use of "requirement" was more restrictive than "need" and would change the basic meaning of the synthesized definition.

**c. Proposed definition based upon responses:**

**QUALITY**

*All attributes of a product including the meeting of required specifications, reliability, maintainability, ease of use, durability, performance, suitability, and utility which satisfy a given need.*

- **Synonyms:** *Value.*
- **Antonyms:** *Cheap, poor, discrepant, not up to specification, unsuitable.*

**17. Responsible contractor**

**a. Definition synthesis:**

The definition of the term "responsible contractor" was not difficult as the published definitions all contained the same basic meaning. The use of the term "establishment" was included as it was used in one of the published definitions to capture the fact that a contractor is established as a responsible contractor by a contracting officer. The definition as synthesized was:

**RESPONSIBLE CONTRACTOR:** The establishment of a contractor as a capable party (has adequate financial resources; can deliver product or service; can deliver on time; operates in accordance with acceptable standards of conduct; etc.) who appears able to satisfactorily fulfill a specific contractual requirement.

**b. Results:**

Thirty four of the respondents agreed with the synthesized definition as it was proposed. Other respondents had comments and recommendations on the synthesized definition. They included:

- Need to define what is meant by "contractor"!
- Would not use "establishment of" in the definition as it is not necessary. If the concept of "establishment" is still required, suggest that "An affirmative contracting officer determination" be used in place of "establishment".
- The phrase "appears able" seems to be inconsistent with the requirement that a contracting officer must make an affirmative determination of responsibility.
- Add: "technical know how" and "have or be able to get facilities to operate in" in a timely manner.
- Add "acceptable quality" before the word "product".

The term "contractor" is included in Appendix A as one of the candidate words or terms which require definition. The use of the phrase "The establishment of a contractor as" was deleted in the proposed definition of the term "responsible contractor" because it was not necessary to the definition of the term (it detracted from a concise definition). The basic meaning of the synthesized definition

was not effected by the deletion so consensus was not effected. The use of the phrase "appears able" is not inconsistent because a contracting officer in making an affirmative determination of responsibility is making a professional judgement based upon factors which are often subjective in nature. The phrase "technical know how" was not considered to have a negative effect on the basic meaning of the synthesized definition and was therefore added to the proposed definition. The phrase "have or be able to get facilities to operate in" is implied in the phrase "can deliver product or service" and was therefore not included in the proposed definition.

**c. Proposed definition based upon responses:**

**RESPONSIBLE CONTRACTOR**

*A capable party (has adequate financial resources; can deliver product or service; can deliver on time; operates in accordance with acceptable standards of conduct; has the technical know how) who appears able to satisfactorily fulfill a specific contractual requirement.*

- **Synonyms:** *Accountable, qualified producer, competent, qualified source.*
- **Antonyms:** *Nonresponsible contractor, irresponsible, unqualified.*

**18. Responsive**

**a. Definition synthesis:**

The published definitions of the term "responsive" shared a common meaning and therefore contributed to the straightforward synthesis of the first definition. The researcher added the second



definition as a result of his studies in the contracting field. The definition as synthesized was:

**RESPONSIVE:**

(1) When an offeror fully complies with and does not deviate from the terms and specifications set forth in an invitation for bids (sealed bid method).

(2) When an offeror materially complies with a request for proposal and is capable of being made compliant through discussions.

**b. Results:**

Thirty four respondents agreed with the definition as it was synthesized. Other respondents recommended wording changes or offered general opinions. They included:

- Modify "responsive" with "bidder" in the first definition and "offeror" in the second. For example (1) A bidder who does not deviate in its bid from the terms and specifications set forth in an invitation for bids (sealed bid method) and therefore agrees and complies fully with the terms and conditions. (2) An offeror whose offer materially complies with the terms and conditions of a request for proposal and is capable of being made compliant through discussions.
- Add the word "conditions" to definition (1) (i.e., ...from the terms, conditions and specifications....).
- Replace "is" with "appears" in the second definition.
- The second definition may need further explanation. The following might be added to clarify: "without biasing any other offerors".

- The phrase "being made compliant" smacks of adjusting to fit certain vendors.
- Recommend the use of the modifier "materially" in definition (1) (i.e., ...does not materially deviate from....).
- Replace "request for proposal" with "solicitation".
- The term "responsive" is associated with IFB/sealed bid process rather than the RFP process.

The word "conditions" was added to the proposed definition as a modifier which does not alter the definition's basic meaning. The word "appears" was not used in place of "is" in definition (2) because to be responsive an offer must be made compliant, so the use of "is" was appropriate. The modifier "materially" is used in definition (1) because it makes the definition more accurate as minor clerical errors can be corrected in a sealed bid. The phrase "request for proposal" is changed to "solicitation" because "solicitation" is inclusive of request for proposal and request for quotations as they apply to negotiated procurements. Its use is therefore more appropriate than "request for proposal" in the proposed definition and does not change the basic meaning as conveyed by the synthesized definition. As mentioned in section a. of the analysis of this term, the concept of being "responsive" does apply to both sealed bid and negotiated procurements although it is usually applied in the sealed bidding process as a judgement factor in the acceptance of a bid. The use of "offeror" in definition (1) was changed to "bidder" to more clearly express the meaning.

**c. Proposed definition based upon responses:**

**RESPONSIVE**

(1) *When a bidder fully complies with and does not materially deviate from the terms, conditions, and specifications set forth in an invitation for bids (sealed bid method).*

(2) *When an offeror materially complies with a solicitation and is capable of being made compliant through discussions.*

- **Synonyms:** *Capable, qualified.*
- **Antonyms:** *Non-responsive, non-compliant.*

**19. Should cost**

**a. Definition synthesis:**

It was somewhat difficult to synthesize a concise definition of the term "should cost" because it was necessary to add descriptive comments in the definition to capture the meaning of the term. This need resulted in a less than optimum synthesis but accurately reflected the major points of the published definitions. The definition as synthesized was:

**SHOULD COST :** An estimate of what an item or system should cost based upon an evaluation by outside investigators of all applicable contractor business methods (contrasting most efficient methods with present contractor methods). This analysis should include subcontractor procedures when subcontracting is part of the proposal. The result is utilized to develop realistic price objectives for contract negotiation purposes.

## **b. Results:**

Thirty three respondents agreed with the definition as it was synthesized. There were other respondents who offered comments or observations. They included:

- Change the word "outside investigators" to "independent reviewers".
- Change "most" to "more" as in "contrasting more efficient methods".
- Replace "realistic price" with "cost".
- Replace "will be" with "is".
- Change "analysis" to "evaluation".
- Add "business methods including manufacturing processes" in the definition.
- Although used by an outside party, only the vendor is capable of developing a "true" should cost. Companies should do it.
- Nebulous term that nobody really understands or cares to understand.

The suggestions to correct the definition wording were all accepted (with the exception of replacing "realistic price" with "cost") and incorporated into the proposed definition. The changes do not alter the basic meaning of the synthesized definition as used in the questionnaire. However, to replace "realistic price" with "cost" would change the basic meaning of the synthesized definition and was therefore not used. The suggestion to add "business methods including manufacturing processes" to the definition was not used



because it is considered to be implied by the phrase "applicable contractor business methods" and is therefore not required. The idea of letting a company do its own "should cost" is like letting the fox guard the hen house. If this course were followed, there would be no logic in developing a "should cost" estimate.

**c. Proposed definition based upon responses:**

**SHOULD COST**

*An estimate of what an item or system should cost based upon an evaluation by independent reviewers of all applicable contractor business methods (contrasting more efficient methods with present contractor methods). This evaluation should include subcontractor procedures when subcontracting is part of the proposal. The result is utilized to develop realistic price objectives for contract negotiation purposes.*

- **Synonyms:** *Independent cost estimate, cost analysis.*
- **Antonyms:** *Will cost, actual cost.*

**20. Specification**

**a. Definition synthesis:**

The synthesis of the definition of the term "specification" was not difficult. The published definitions used for the synthesis were clear and shared the same basic meanings. The definition as synthesized was:

**SPECIFICATION:** A clear and accurate description of the technical requirements for items, materials, or services, including the criteria for determining whether the requirements have been met.

## **b. Results:**

Forty respondents agreed with the definition as synthesized. Other respondents suggested comments or observations which apply to the synthesized definition. They included:

- Is this definition broad enough to cover both design and performance specifications?
- It would be helpful to see a breakdown to design and performance specifications.
- Agree, however the word "realistic" should be included. This would hopefully preclude a seven page specification for fruitcake.
- Add "or performance" after the the word "technical".
- Suggest the use of "supplies" in place of "items, materials".
- Suggest the removal of "clear and accurate" as specifications often are not.

The concern that the definition as synthesized is not broad enough to include the concept of both performance and design specifications is a valid one. To satisfy this concern which a number of respondents expressed, the phrase "or performance" is added to the proposed definition. The concept of "reality" cannot be inserted into the definition without detracting from the concise character of the definition. This researcher agrees that reality in specifications is necessary, but does not agree that it belongs in a definition of the term. The term "supplies" is used in place of "items, materials" to make the proposed definition as concise as possible. Its use does not alter the basic meaning of the definition

as synthesized. Finally, the concept of a specification being "clear and accurate" does not detract from the definition. Since a consensus based upon majority opinion supported the use of the phrase, it will not be changed.

**c. Proposed definition based upon responses:**

**SPECIFICATION**

*A clear and accurate description of the technical or performance requirements for supplies or services, including the criteria for determining whether the requirements have been met.*

- **Synonyms:** *Standard, description, statement of work.*
- **Antonyms:** *None.*

**21. Warranty**

**a. Definition synthesis:**

The published definitions of the term "warranty" shared the same basic meanings. This made the synthesis of the definition of "warranty" a straightforward task. The definition as synthesized was:

**WARRANTY:** A promise or representation, either expressed or implied, regarding the nature, usefulness, or condition of supplies, or performance of services to be furnished.

**b. Results:**

Thirty seven respondents agreed with the definition as it was synthesized. However, the questionnaire process yielded a number of interesting comments and observations. They included:



- There is always an implied warranty such as "fitness for a particular purpose". Express warranties may simply reinforce implied warranties or go beyond this to cover more.
- At time of purchase and potentially for an extended period of time.
- Need to draw a distinction between warrantee and guarantee.
- See no difference between warrantee and guarantee.

Upon initial analysis of the questionnaire responses it appeared as if a consensus had been reached on the definition as it was synthesized. However the statements by a number of respondents that they could see no difference between the term "guarantee" and "warranty" made the researcher wonder if the synthesized definition of the term "warranty" was complete. Should the definition have included the aspect of a warranty being an "extended guarantee"? The proposed definition of guarantee included the sentence "Usually applies over a specific time period immediately following acquisition". This sentence was added in response to comments by questionnaire respondents to make the definition recognize that an effective time period existed. The term "warranty" deserves the same treatment based upon the comments of the respondents. Therefore the proposed definition of 'warranty' will include another sentence which will specify the difference between "warranty" and "guarantee". This specificity will not effect the consensus arrived at through the questionnaire process because it does not change the basic meaning of the definition. It merely



focuses the meaning so that "guarantee" and "warranty" can be differentiated.

**c. Proposed definition based upon responses:**

**WARRANTY**

*A promise or representation, either express or implied, regarding the nature, usefulness, or condition of supplies, or performance of services to be furnished. Normally applies during a specific time frame of negotiated duration.*

- **Synonyms:** *Guarantee.*
- **Antonyms:** *As is.*

**22. Will cost**

**a. Definition synthesis:**

The definition of the term "will cost" was not difficult to synthesize. The published definitions shared the same basic meanings and wording which made the synthesis straightforward. The definition as synthesized was:

**WILL COST:** A projection by an offeror as to what a contract will cost based upon the offeror's best estimate utilizing current methods, historical costs and forecasts.

**b. Results:**

Thirty four questionnaire respondents agreed with the synthesized definition. Some other respondents had comments or suggestions to offer. They included:

- Agree but add "and current conditions" at the end of the definition.
- Add at the end "used in assessing cost realism".

- Who's current methods? Contracting officer or industry?
- Replace "offeror" with "seller" and "offeror's" with "seller's".
- Why use the word "best" in the definition? What does it accomplish?

The addition of the phrase "and current conditions" to the end of the proposed definition is considered to be redundant by the researcher. That is due to the use of the phrase "current methods" in the definition which implies current conditions are considered. The addition of the phrase "used in assessing cost realism" is not considered to be necessary. Its addition would be more of a comment on the definition rather than an integral part of the definition. The phrase "current methods" refers to the seller's methods of producing a product or service. Its meaning is considered to be clear in the definition as synthesized. The substitution of the word "seller" for "offeror" in the definition is not considered necessary because only in negotiated procurements would the "will cost" concept be utilized, therefore the use of "offeror" is correct. The use of the word "best" is considered appropriate to emphasize that the offeror should strive to project the best (i.e., least cost, high quality product or service) estimate possible to allow its use in cost analysis.

**c. Proposed definition based upon responses:**

**WILL COST**

*A projection by an offeror as to what a contract will cost based upon the offeror's best estimate utilizing current methods, historical costs and forecasts.*

- **Synonyms:** *Bottom line, contractor's estimate.*
- **Antonyms:** *Should cost.*

**C. SUMMARY**

This chapter analyzed the formation of the synthesized definitions of those terms which were not analyzed in Chapter III, analyzed questionnaire responses and offered a proposed definition based upon those responses. Synonyms and antonyms were also proposed. The terms analyzed in this chapter were those which did not generate significant disagreement with the definitions as they were synthesized. A summary of all proposed definitions, synonyms and antonyms are included as Appendix D.

## **V. CONCLUSIONS AND RECOMMENDATIONS**

### **A. INTRODUCTION**

This chapter offers conclusions and recommendations regarding the synthesis, analysis, proposed definition, synonym and antonym process used to arrive at definitions of the 28 selected terms. The research question posed at the beginning of this thesis is also answered in this chapter. The chapter concludes with suggested areas for follow on research and a summary.

### **B. CONCLUSIONS**

The conclusions reached in this thesis are:

1. The product of this thesis will add to the body of knowledge which makes up the contracting discipline.

The 28 terms defined in this thesis are the first step toward the establishment of a dictionary of contracting terms which can serve as a foundation for the entire contracting discipline.

2. The observations of questionnaire respondents reflected a concern for the continued development of the contracting discipline.

The general comments offered by questionnaire respondents often reflected their willingness to contribute to the establishment of a dictionary of acquisition and contracting terms which can serve as a foundation for the entire contracting process. Beyond that, their comments reflected a willingness to



do whatever they could to forward the entire contracting discipline. This type of dedication is essential if contracting is to become an established profession.

3. There is not universal agreement concerning the meaning of several contracting terms, particularly the 28 terms selected for this study.

In some instances, most notably with terms which have recently evolved in the contracting discipline, the respondents gave mixed opinions on what the terms meant or did not comment on the term's definition at all. Terms such as "should cost" and "will cost" were the terms most often in this latter category. The different opinions expressed gave further support to the original assumption which sparked the idea for this thesis effort.

4. The procedure used in this thesis to achieve consensus on term definitions as used in Federal Government contracting is valid.

Through the synthesis of published contracting definitions (or by synthesizing a term's meaning from its use in contracting literature) and achieving consensus on a term's meaning, a dictionary of contracting terms can be established. Agreement on term meanings through a process such as the one utilized in this thesis can help the contracting discipline further refine the body of knowledge.

Once a dictionary (formed through consensus) is available to contracting practitioners, the discipline of contracting will have a

common point of reference from which to conduct business without ambiguity. When regulations, instructions, and directives contain terms which share commonly held meanings, the contracting discipline can become more efficient and effective. The criticism offered by respondents was constructive and contributed to the process of establishing definitions based upon consensus

### **C. RECOMMENDATIONS**

1. Adopt the 28 terms defined through consensus as accepted definitions in the contracting discipline.

When the 28 terms defined through in this thesis are adopted as accepted definitions, the first step will have been taken in establishing a dictionary of acquisition and contracting terms.

2. Introduce the 28 terms defined in this thesis as the beginning of an NCMA dictionary of acquisition and contracting terms.

Through the auspices of NCMA, a dictionary of acquisition and contracting terms can be developed and given wide dissemination to all those people involved in Federal Government contracting.

3. The remaining terms included in Appendix A (which is not an exhaustive list), should be subjected to the same procedure as used in this research effort. The next 15 terms requiring definition utilizing the procedure adopted by this thesis should be:

- Acquisition plan.
- Acquisition strategy.
- Clause.
- Competition.
- Contracting officer.
- Design specification.
- Incentive.
- Justification and approval.
- Non developmental item.
- Performance specification.
- Progress payments.
- Recurring costs.
- Termination for convenience.
- Termination for default.
- Value.

4. The final steps of the procedure established in this thesis, (mailing out the proposed definitions for another review to assure that convergence on term meaning has been achieved), need to be performed (steps 10 and 11 on page 10).

To fully converge on term meanings and to assure that the proposed definitions of the 28 terms analyzed in this thesis are fully acceptable, the procedures in steps 10 and 11 on page 10 need to be accomplished. The accomplishment of this action can ensure that the proposed definitions represent final, baselined term definitions.



#### D. RESEARCH QUESTION ANSWERS

The primary research question was: To what extent can standard meanings be arrived at in the evolving field of contracting in which words are used with various meanings?

An examination of the results of the procedure used in this thesis effort can best answer this question. A 100 percent agreement on an exact definition for any given contracting term is not likely to occur, but a definition which represents a consensus can occur with success as demonstrated by the results of this thesis. Definition consensus is realistically achievable in a fixed amount of time utilizing published definitions and glossary "explanations" as the basis for synthesized definitions which can then be subjected to the criticism of a representative body of practitioners.

During the course of this thesis, specific objectives included:

1. Establishing a procedure to arrive at concise term meanings which are supported by a sample majority of contracting professionals.
2. Achieving proposed definitions of approximately 25 terms to demonstrate the procedure established in step one above.

The first objective, the establishment of a procedure to arrive at concise term meanings based upon consensus has been accomplished. The second objective was accomplished during the execution of the procedure established to reach consensus on term meanings.



✓ The benefits which can be realized from the establishment of a contracting dictionary include: the fact that the language used in the acquisition and contracting field would enjoy a common basis; multiple meanings could be clearly identified; misuse or "reinvention" of term meanings in directives, instructions and regulations would occur less frequently. Without an established reference to term meanings the contracting discipline will continue to be overly complex and inefficiencies will exist.

## **E. GENERAL COMMENTS**

With more terms being defined via consensus, an increasingly comprehensive contracting terms dictionary can be generated. Only when the dictionary becomes more fully developed and enjoys more widespread support can it begin to serve as a cornerstone for a working vocabulary for Government contracting.

A strength of the procedure used in this thesis was the utilization of the NCMA Fellows as a representative subset of the contracting community. With definitions being established through a consensus of NCMA Fellows (who represent a high level of understanding and experience in Federal Government contracting) term meanings will be baselined for the use of the entire contracting community. The weakness of the procedure used in this effort was that occasionally respondents recommended a change to a synthesized definition which contributed to a more concise definition while a majority of respondents agreed with the definition as it was synthesized. This situation required the

researcher to use his judgement in incorporating such changes. Occasionally the recommended change was compelling in nature in that it addressed a facet of the definition which should have been incorporated in the synthesized definition. When such a situation occurred and the incorporation of the change made sense to the researcher, the modification was incorporated. It must be emphasized that the researcher was careful not to violate the basic meaning of the synthesized definition as offered in the questionnaire thereby retaining the integrity of consensus. Minor wording changes to synthesized definitions were made as recommended by questionnaire respondents when the changes further streamlined the definition and helped make it more concise without affecting the basic meaning.

Questionnaire respondents often commented that the questionnaire sent to them left out important terms which should be included in a contracting dictionary. Contract administration terms were most often mentioned as the type of term which was missing. The respondents assumed that the selected terms included in the questionnaire represented the complete selection of terms which would be included in a contracting dictionary. To correct this mistaken impression, introductory information (provided as a preface to the questionnaire) should include a statement that the synthesized definitions of terms included in the questionnaire represent only a small selection of the terms which should be defined.

A few questionnaire respondents commented that a listing of the contracting term definitions (or explanations) contained in the FAR would be useful. During the course of the research of this thesis just such an index was developed to allow easier FAR reference. It is included as Appendix D.

## **F. SUMMARY**

This chapter offered conclusions and recommendations to the thesis effort. It addressed the research question and objectives of this thesis and it looked at strengths and weaknesses in the process used. It is hoped that this effort will be continued and that a dictionary of acquisition and contracting terms can take shape and become a useful tool for contracting practitioners, students and academics alike.

## REFERENCES

1. The President's Blue Ribbon Commission on Defense Management, A Quest for Excellence, June 1986.
2. Judson, Dr. Robert, The RAND Corporation, Telephone interview on 13 April 1988.
3. Stoner, James A. F., Wankel, Charles, Management, Prentice-Hall, Inc., 1986.
4. Thornton, Connie L., Contracting: A Systematic Body of Knowledge, Masters Thesis, Naval Postgraduate School, Monterey, CA, 1987.
5. Lorette, Richard, Is It Acquisition? Procurement? Contracting?, The Government Executive, 1979.
6. Black's Law Dictionary with pronunciations, Fifth Edition, West Publishing Co., St. Paul, MN, 1979.
7. Webster's New Collegiate Dictionary. Springfield, MA: G. & C. Merriam Co., 1977.
8. Defense Acquisition and Logistics Management, National Defense University, Washington, DC, 1984.
9. The Dictionary of Purchasing Terms, Fourth Edition, The National Institute of Governmental Purchasing, Inc., Falls Church, VA, 1986.
10. Glossary, Defense Acquisition Acronyms and Terms, Defense Systems Management College, July 1987.
11. Federal Acquisition Regulation (FAR), Commerce Clearing House, Inc., Chicago, IL, 01 June 1987.
12. Alijan's Purchasing Handbook, Fourth Edition, McGraw-Hill Book Company, NY, 1982.



13. Armed Services Pricing Manual (ASPM), Department of Defense, 1986.
14. Glossary of Purchasing and Supply Terms, Volume I - English, The International Federation of Purchasing.
15. Production and Inventory Management, Donald W. Fogarty & Thomas R Hoffmann, South-Western Publishing Co., Cincinnati, OH, 1983.
16. Handbook on Government Contracts Administration, Emmett E. Hearn, Hearn Associates, Los Altos, CA, 1987.
17. Dictionary of Procurement Terms, PACTS Publishing Co., Gaynor A. Gibson, 1961, Revised 1988.
18. Contracting with the Federal Government, John Wiley & Sons, NY, 1984.
19. Glossary of Purchasing and Supply Terms, Volume I - English, The International Federation of Purchasing.
20. Government Contract Law Manual, Glen E. Monroe, The Michie Co., Charlottesville, VA, 1979.
21. Code of Federal Regulations, title 4 -- 'Accounts,' chapter III -- Cost Accounting Standards Board.
22. DEFINITIONS, Inspector General, Department of Defense, IG, DOD 5000.2-L, July 1987.
23. Life Cycle Costing: A Better Method of Government Procurement, M. Robert Seldon, Westview Press, Boulder, CO, 1979.
24. Government Procurement Management, 2nd Edition, Stanley N. Sherman, Gaithersburg, MD, Wordcrafters Publications, 1985.
25. Deputy Secretary of Defense William H. Taft IV, in a speech delivered to the annual Reliability and Maintainability Symposium, Philadelphia, PA, 27 January 1987.

26. Acquisition ALERTS for Program Managers, Inspector General, Department of Defense, September 1987.

27. Quality Assurance. Concerns About Four Navy Missile Systems, United States General Accounting Office, March 1988.

## **APPENDIX A: CANDIDATE TERMS**

Appendix A is an initial listing of 133 candidate terms from the contracting discipline which, in the researcher's opinion, require clear and concise definition. This listing is not meant to be all inclusive. It includes terms taken from contracting literature, the researcher's experience and suggestions received from questionnaire respondents.

Acquisition  
Acquisition plan  
Acquisition process  
Acquisition strategy  
Allocable  
Allocation  
Allowable  
Audit trail  
Bill of materials (BOM)  
Boiler plate  
Buy out  
Buying In  
C-SPEC  
Carrying charges  
Certificate of competency  
Certification  
Change Order  
Changes  
Clause  
Commercial item descriptions  
Commercial item  
Competition  
Competitive range  
Configuration control/management  
Contract  
Contract administration  
Contractor  
Contracting  
Contracting Officer  
Cost  
Cost data  
Cost principles  
Costing  
Could cost  
Cut off  
Default  
Defective pricing  
Delegation  
Design specification  
Direct costs



Direct labor  
Direct material  
Documentation  
Economic order quantity (EOQ)  
"Effective competition"  
Engineering change proposal (Class I & Class II)  
Express contract  
Fair and reasonable  
Fee  
First article  
Forward pricing  
"Full and open competition"  
Functional specification  
General & Administrative expense (G&A)  
General scope  
Government furnished equipment (GFE)  
Government title  
Guarantee  
Implied  
Implied contract  
In scope  
Incentive  
Indirect costs  
Indirect material  
Integration  
Interim pricing  
Justification and approval (J&A)  
Leader/Follower  
Learning curve  
Letter contract  
Liability  
Life cycle cost  
Logistics  
Manufacturing  
Manufacturing resource planning (MRP II)  
Market analysis  
Market survey  
Materiality  
Materials management  
Materials requirements planning (MRP)

Matrix management  
Moving average cost method  
Negotiation  
Non developmental item (NDI)  
Nonrecurring costs  
Offeror  
Offset (legal)  
Out of Scope  
Overhead  
Pass through charges  
Patent  
Post award  
Post business clearance  
Post negotiation memorandum  
Price  
Pricing data  
Probable cost  
Procurement  
Profit  
Progress payments  
Proprietary data  
Provisioning  
"Prudent man concept"  
Purchasing  
Quality  
Reasonable  
Recurring costs  
Request for proposals  
Request for quotations  
Requirements  
Responsible  
Responsive  
Reverse engineering  
Risk  
Scope of work  
Scrap  
Should cost  
Small business  
Source selection  
Specification

Specification  
Standard cost method  
Statement of Work (SOW)  
Technical analysis  
Termination for convenience  
Termination for default  
Transfers (material ownership)  
Value (economic concept of the term)  
Value engineering  
Warranty  
Weighted average cost method  
Weighted guidelines  
Will cost

## **APPENDIX B: PUBLISHED DEFINITIONS**

This appendix presents published definitions of the 28 selected terms used in the questionnaire. Specifically the following terms were examined:

- Acquisition.
- Buying in.
- Change order.
- Contracting.
- Direct cost.
- Express.
- Guarantee.
- Indirect cost.
- Negotiation.
- Procurement.
- Purchasing.
- Responsible contractor.
- Should cost.
- Warranty.
- Bill of materials.
- Change.
- Contract.
- Cost.
- Direct material.
- Fee.
- Imply.
- Life cycle cost.
- Price.
- Profit.
- Quality.
- Responsive.
- Specification.
- Will cost.



## ACQUISITION

- "The act of becoming the owner of certain property; the act by which one acquires or procures the property in anything."

[Ref. 6:p. 23]

- "The act of acquiring." "Something acquired or gained." "The acquiring of library materials (as books and periodicals) by purchase, exchange, or gift." [Ref. 7:p. 11]

- "the process of procuring for the military equipment having a stated performance capability, on a timely basis and at minimum cost." [Ref. 8:p. 15]

- "the act of acquiring supplies or services (including construction) for the use of a governmental activity through purchase or lease. Includes the establishment of needs, description of requirements, selection of method of procurement, selection of sources, solicitation for offers, award of contract, financing, contract administration, and related functions." [Ref. 9:p. 1]

- "The process for obtaining systems, equipment or modifications to existing inventory items. In DOD, it includes development (RDT&E) and production (procurement)." [Ref. 10:p. 1]

- "the acquiring by contract with appropriated funds of supplies or services (including construction) by and for the use of the Federal Government through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated. Acquisition begins at the point when agency needs are established and includes the description of requirements to satisfy agency needs, solicitation and selection of sources, award of contracts, contract financing, contract administration, and those technical and management functions directly related to the process of fulfilling agency needs by contract." [Ref. 11:Part 2.101]

- "Acquisition cycle: The departments within a company that directly or indirectly determine what is to be purchased; e.g., company sales, engineering, production control, financial, purchasing. This might vary for each company." [Ref. 12:p. 31-2]

## BILL OF MATERIALS

- "A descriptive and quantitative listing of materials, supplies, parts, and components required to produce a designated complete end-item of material or assembly or subassembly. May also show estimated costs or fixed prices." [Ref. 13:p. B-2]
- "A list specifying the quantity and character of materials and parts required to produce or assemble a stated quantity of a particular product." [Ref. 14:p. 7]
- "A list specifying the quantity and character of materials and parts required to produce or assemble a stated quantity of a particular product." [Ref. 12:p. 31-5]
- "A listing of all the subassemblies, parts, and raw materials that go into a parent assembly showing the quantity of each required to make a assembly." [Ref. 15:p. 669]
- "A listing of the materials and parts required to produce a given product, assembly, subassembly or part." [Ref. 16:p. 304]

## BUYING-IN

- "attempting to obtain a contract award by knowingly offering a price or cost estimate in an amount less than the anticipated costs to the performer." [Ref. 8:p. 63]
- "The practice of offering items or services at cost or less than cost or price in order to obtain award of a contract, discourage competition, maintain business, keep down overhead, or in the hope of making later recovery through overpricing changes in scope." [Ref. 17:p. 8]
- "Submission of an offer, usually substantially below estimated cost, with the expectation of winning the contract." [Ref. 10:p. 10]
- "means submitting an offer below anticipated costs, expecting to-  
- (a) Increase the contract amount after award (e.g., through unnecessary or excessively priced change orders); or (b) Receive follow-on contracts at artificially high prices to recover losses incurred on the buy-in contract." [Ref. 11:Part 3.501-1]
- "The practice of bidding, particularly in connection with government contracts, whereby a price or cost estimate submitted is known to be less than the anticipated actual cost to perform the contractually required effort." [Ref. 18:pp. 495-496]

## CHANGE

- "actions that are permitted by contract terms but rarely are covered in the initial price." May change specifications and the scope of the contract as originally priced. [Ref. 13:p. 10-2]
- "To make different in some particular. To make a shift from one to another." [Ref. 7:pp. 185-186]

## CHANGE ORDER

- "Change order: Unilateral direction to a contractor to modify a contractual requirement within the scope of the contract, pursuant to the Changes clause contained in the contract." [Ref. 10:p. 11]
- "Change order Purchaser's written authority to the supplier to modify or add to a purchase order." [Ref. 19:p. 9]
- "A written order signed by the contracting officer, directing the contractor to make changes that the Changes clause of the contract authorizes the contracting officer to direct without the consent of the contractor." [Ref. 13:p. B-2]
- "Purchaser's written authority to the supplier to modify or add to a purchase order." [Ref. 12:p. 31-7]
- "this term refers to the written order issued by a contracting officer and pursuant to a contract changes clause by which modifications to the contract may be effected. Such modifications may be ordered without the consent of the contractor." [Ref. 20:pp. 144-145]
- "A written order signed by the contracting officer, directing the contractor to make changes which the 'Changes' clause of the contract authorizes the contracting officer to order without the consent of the contractor." [Ref. 16:p. 304]

## CONTRACT

- A binding agreement between two or more persons or parties. A writing made by the parties to evidence the terms and conditions of a contract The department or principles of law having to do with contracts. [Ref. 7:p. 246]
- "(1) An agreement, enforceable by law, between two or more competent parties, to do or not do something not prohibited by law, for a legal consideration. (2) any type of agreement or order for the procurement of supplies or services to include Notice of Award, Letter Contracts, some Notices of Intent, Blanket Purchase Agreements, and Purchase Orders (but from which it is often in



practice distinguished in law and handling). It may also include such terms as Task, Job and Delivery Orders to name a few such titles, and includes amendments, modifications, Change Orders and Supplemental Agreements to any of the foregoing. In Government practice all contracts should be written ones." [Ref. 17:p. 12]

- "A term used to describe a variety of agreements or orders for the procurement of supplies or services. An agreement enforceable by law, between two or more competent parties, to do or not do something not prohibited by law, for a legal consideration."

[Ref. 13:p. B-3]

- "a solemn agreement between parties, usually written, with binding legal and moral force; usually exchanging goods or services for money or other consideration." [Ref. 9:p. 7]

- "An agreement between two or more legally competent parties, in the proper form, on a legal subject matter or purpose, for a legal consideration." [Ref. 10:p. 13]

- "means a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of commitments that obligate the Government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing. In addition to bilateral instruments, contracts include (but are not limited to) awards and notices of awards; job orders or task letters issued under basic ordering agreements; letter contracts; orders, such as purchase orders, under which the contract becomes effective by written acceptance or performance; and bilateral contract modifications. Contracts do not include grants and cooperative agreements covered by 31 U.S.C. 6301, et seq." [Ref. 11:Part 2.101]

- "A deliberate agreement between two or more competent persons to perform or not to perform a specific act or acts. A purchase order when accepted by a vendor, becomes a contract." [Ref. 19:p. 11]

- "A deliberate agreement between two or more competent persons to perform or not to perform a specific act or acts. A contract may be verbal or written. A purchase order, when accepted by a vendor, becomes a contract. Acceptance may be either in writing or by performance, unless the purchase order requires acceptance thereof to be in writing, in which case it must be thus accepted. A unilateral contract is one in which only one party promises performance, the performance being in exchange for an act by the other. A bilateral contract is one where both parties promise



performance, each promise being given in exchange for the other.  
[Ref. 12:p. 31-9]

- "A term used to describe a variety of agreements or orders for the procurement of supplies or services. An agreement, enforceable by law, between two or more competent parties, to do or not do something not prohibited by law, for a legal consideration."

[Ref. 18:p. 496]

- "All types of agreements and orders for the procurement of supplies and services. It includes awards and notices of award; contracts of a fixed-price, cost, cost-plus-a-fixed-fee, or incentive type; contracts providing for the issuance of job orders, task orders, or task letters thereunder; letter contracts, and purchase orders. It also includes supplemental agreements with respect to any of the foregoing." [Ref. 16:p. 305]

### CONTRACTING

- "as a facet of defense logistics, involves the whole process of arranging to buy from business and industry, or other suppliers, the resources required by the Armed Forces." [Ref. 8:p. 50]

- "means purchasing, renting, leasing, or otherwise obtaining supplies or services from nonfederal sources. Contracting includes description (but not determination) of supplies and services required, selection and solicitation of sources, preparation and award of contracts, and all phases of contract administration. It does not include making grants or cooperative agreements."

[Ref. 11:Part 2.101]

### COST

- "Expense; price. The sum or equivalent expended, paid or charged for something. Expenses awarded by court to prevailing party."

[Ref. 6:p. 312]

- "The amount or equivalent paid or charged for something : PRICE". "The outlay or expenditure (as of effort or sacrifice) made to achieve an object." [Ref. 7:p. 257]

- "The term cost has two meanings. It can refer to the amount of money the Government spends to acquire an item or it can mean that cost plus all costs of operating and maintaining the item once acquired." [Ref. 13:p. 3-2]

- "This is a cost-reimbursement contract type in which the contractor receives no profit. It is often used in research and development work, particularly with nonprofit organizations." [Ref. 20:p. 146]

### DIRECT COST

- "Any cost that is specifically identified with a particular final cost objective, but not necessarily limited to items that are incorporated in the end product as material or labor." [Ref. 13:p. B-4]
- "Any cost that is specifically identified with a particular final cost objective. Is not necessarily limited to items that are incorporated into the end product as labor or material." [Ref. 10:p. 24]
- "Any cost which is identified specifically with a particular final cost objective. Direct costs are not limited to items which are incorporated in the end product as material or labor. Costs identified specifically with a contract are direct costs of that contract. All costs identified specifically with other final cost objectives of the contractor are direct costs of those cost objectives." [Ref. 21:part 402.30]
- "Any cost which is identified specifically with a particular final cost objective, but not limited to items which are incorporated in the end product as material or labor. Costs identified specifically with a contract are direct costs of that contract." [Ref. 18:p. 498]

### DIRECT MATERIAL

- "includes raw materials, purchased parts, and subcontracted items required to manufacture and assemble completed products." [Ref. 13:p. 5-2]
- "Includes raw materials, purchased parts and subcontracted items required to manufacture and assemble completed products. A direct material cost is the cost of material used in making a product and is directly associated with a change in the product." [Ref. 10:p. 24]
- "Materials that become a part of the final product in measurable quantities." [Ref. 15:p. 675]

### EXPRESS

- "Clear; definite; explicit; plain; direct; unmistakable; not dubious or ambiguous. Declared in terms; set forth in words. Directly and distinctly stated. Made known distinctly and explicitly, and not left

to inference." "Manifested by direct and appropriate language, as distinguished from that which is inferred from conduct. The word is usually contrasted with "implied."" Ref. 6:p. 521]

- Directly, firmly, and explicitly stated. EXACT, PRECISE. Designed for or adapted to its purpose. Of a particular sort : SPECIFIC. [Ref. 7:p. 404]

### FEE

- "A charge fixed by law for services of public officers or for use of a privilege under control of government." "A recompense for an official or professional service or a charge or emolument or compensation for a particular act or service. A fixed charge or perquisite charged as recompense for labor; reward, compensation, or wage given to a person for performance of services or something done or to be done." [Ref. 6:p. 553]

- A fixed charge. A charge for a professional service. [Ref. 7:p. 420]

- "An amount paid to the Contractor for completed performance or delivery under cost-reimbursement type contracts of all types except straight cost & cost-sharing. Fees are limited, in some cases, to certain percentages fixed by Federal statute. These are called 'ceilings'. Fees are often paid on a weighted guideline basis, or on an incentive type contract 'share-line'. Federal law prohibits the payment of fee on a cost-plus-a-percentage-of-cost basis. (CPPC). Similar to profit." [Ref. 17:p. 24]

- "In specified cost-reimbursement pricing arrangements, fee represents an agreed-to amount beyond the initial estimate of costs. In most instances, fee reflects a variety of factors, including risk, and is subject to statutory limitations. Fee may be fixed at the outset of performance, as in a cost-plus-fixed-fee arrangement, or may vary (within a contractually specified minimum-maximum range), as in a cost-plus-incentive-fee arrangement." [Ref. 13:p. B-5]

- "a sum of money asked or paid for some service, charge, or payment, usually for professional or technical service." [Ref. 9:p. 13]

### GUARANTEE

- "a warranty under contract by a seller to a buyer to answer for the qualities and performance claimed by the seller for the goods which are the subject of that contract." [Ref. 19:p. 15]



- "an assurance for the fulfillment of a condition." "an assurance of the quality of or of the length of use to be expected from a product offered for sale often with a promise of reimbursement."  
[Ref. 7:p. 509]

### IMPLY

- "This word is used in law in contrast to "express"; i.e., where the intention in regard to the subject-matter is not manifested by explicit and direct words, but is gathered by implication or necessary deduction from the circumstances, the general language, or the conduct of the parties. Term differs from "inferred" to the extent that the hearer or reader "infers" which the writer or speaker "implies"." [Ref. 6:p. 293]
- To involve or indicate by inference, association, or necessary consequence rather than by direct statement. To express indirectly.  
[Ref. 7:p. 576]

### INDIRECT COST

- "any cost not directly identified with a single final cost objective. It is identified with two or more final cost objectives or with at least one intermediate cost objective later allocated to final cost objectives." [Ref. 13:p. 6-2]
- "Costs, which because of their incurrence for common or joint objectives, are not readily subject to treatment as direct costs." [Ref. 10:p. 38]
- "Cost that is not directly incurred by a particular job or operation. Certain utility costs, such as plant heating, are often indirect. An indirect cost can be either a fixed or a variable cost and is distributed to the product through the overhead rates."  
[Ref. 15:p. 680]
- "Any cost not directly identified with a single final cost objective, but identified with two or more final cost objectives or with at least one intermediate cost objective."  
[Ref. 21:part 402.30]
- "Any cost not directly identified with a single final cost objective, but identified with two or more final cost objectives or with at least one intermediate cost objective." [Ref. 18:p. 499]



## LIFE CYCLE COST

- "The total cost to the government of acquisition and ownership of that system over its useful life. It includes the cost of development, acquisition, support, and, where applicable, disposal." [Ref. 10:p. 45]
- "Total cost of ownership." [Ref. 22:p. 32]
- "the total cost for an item or research and development, production, modification, transportation, introduction into the inventory, construction, operation, support, maintenance, disposal, salvage revenue, and any other cost of ownership." [Ref. 23:pp. 268-269]

## NEGOTIATION

- "the process of bargaining among buyers and sellers." [Ref. 13:p. 8-4]
- "A bargaining process between two or more parties, each with its own viewpoints and objectives, seeking to reach a mutually satisfactory agreement on, or settlement of, a matter of common concern." [Ref. 13:p. B-7]
- "Contracting through the use of either competitive or other-than-competitive proposals and discussions. Any contract awarded without using sealed bidding procedures is a negotiated contract." [Ref. 10:p. 54]
- "In its more general context, a bargaining process between two or more parties, each with its own viewpoints and objectives, seeking to reach a mutually satisfactory agreement on, or settlement of, a matter of common concern. In a purchasing context, the process of arriving at an agreement on the essentials of a purchase contract, through discussion between buyer and seller." [Ref. 12:p. 31-20]
- "Negotiating: One of the major methods of procurement which is employed under certain permissive circumstances prescribed by statute when formal advertising is determined to be infeasible and impracticable. In its more general context, a bargaining process between two or more parties, each with its own viewpoints and objectives, seeking to reach a mutually satisfactory agreement on, or settlement of, a matter of common concern." [Ref. 18:p. 500]
- "When applied to the making of purchases and contracts, refers to making purchases and contracts without sealed bidding." [Ref. 16:p. 308]

## PRICE

- "Something which one ordinarily accepts voluntarily in exchange for something else. The consideration given for the purchase of a thing. Amount which a prospective seller indicates as the sum for which he is willing to sell; market value. The term may be synonymous with cost, and with value, as well as with consideration, though price is not always identical either with consideration." [Ref. 6:p. 1070]
- "The amount of money that will purchase a definite weight or other measure of a commodity." [Ref. 19:p. 20]
- "means cost plus any fee or profit applicable to the contract type." [Ref. 11:Part 15.801]
- The quantity of one thing that is exchanged or demanded on barter or sale for another. The amount of money given or set as consideration for the sale of a specified thing. The cost at which something is obtained. [Ref. 7:p. 913]
- "As distinguished from cost, that amount paid the Seller which contains his cost to produce plus any profit or fee realized. Price can be less than cost only when and if a loss is taken. Under some circumstances, price may be escalated upward or downward." [Ref. 17:p. 47]
- "A monetary amount given, received, or asked in exchange for property or services, expressed in terms of a single item or unit of measure for such property or services." [Ref. 13:p. B-7]
- "the amount of money that will purchase a definite weight or other measure of a commodity." [Ref. 9:p. 23]
- "A monetary amount given, received, or asked in exchange for property or services, expressed in terms of a single item or unit of measure for such property or services." [Ref. 12:p. 31-21]

## PROCUREMENT

- Procurement Contract: "A government contract with a manufacturer or supplier of goods or machinery or services under the terms of which a sale is made to the government. Such contracts are governed by government regulations, standard forms, etc." [Ref. 6:p. 1087]
- "the whole process of obtaining the resources (people, material, facilities, services, money) required by the Armed Forces." [Ref. 8:p. 2]

- "The process of purchasing, buying, bartering, or trading, renting or leasing materiel at an agreed upon price through the employment of methods of Formal Advertising or Negotiation. It includes the determination of requirements, selection and solicitation of sources, preparation and award of contract, and all phases of contract administration." [Ref. 17:p. 48]
- "the combined functions of purchasing, inventory control, traffic and transportation, receiving, receiving inspection, storekeeping, and salvage and disposal operations." [Ref. 9:p. 24]
- "Act of buying goods and services for the Government."  
[Ref. 10:p. 61]
- "Includes duties performed by purchasing, as well as such additional functions as materials supervision and management as inventory control, receiving, inspection and salvage operations."  
[Ref. 19:p. 21]
- "Includes duties performed by purchasing, as well as such additional functions as materials supervision and management, inventory control, receiving, inspection, and salvage operations."  
[Ref. 12:p. 32-22]
- "a business function charged with source research, plus the formation and administration of agreements with external sources for the purpose of obtaining material or services to support the work of the organization." [Ref. 24:p. 5]
- "Includes purchasing, renting, leasing or otherwise obtaining supplies or services. It also includes all functions that pertain to the obtaining of supplies and services, including description (but not determination) or requirements, selection and solicitation of sources, preparation and award of a contract; and all phases of contract administration." [Ref. 16:p. 309]

## PROFIT

- "Most commonly, the gross proceeds of a business transaction less the costs of the transaction; i.e., net proceeds. Excess of revenues over expenses for a transaction; sometimes used synonymously with net income for the period. Gain realized from business or investment over and above expenditures."  
[Ref. 6:p. 1090]
- "Any amounts made by the Contractor above his total actual costs. The term 'fee' is used in lieu of profit when referring to cost-reimbursement type contracts. Frequently called 'bottom line'."



[Ref. 17:p. 49]

- "Generally characterized as a basic motive of business enterprise; on occasion referred to as "the wages of risk." In contract pricing, profit represents a projected or known monetary excess realized by a producer or performer after the deduction of cost (both direct and indirect) incurred or to be incurred in the performance of a job, task, or series of the same." [Ref. 12:p. 31-22]

### PURCHASING

- "the act and the function of responsibility for the acquisition of equipment, materials, supplies, and services. In a narrow sense, the term describes the process of buying. In a broader sense, the term describes determining the need, selecting the supplier, arriving at a fair and reasonable price and terms, preparing the contract or purchase order, and following up to ensure timely delivery."

[Ref. 9:p. 24]

- "Buying materials and services of the right quality, in the right quantity, at the right price, from the right source and at the right time." [Ref. 19:p. 22]

### QUALITY

- "more than just a product that meets minimum standards. In our definition, a quality product is one that not only performs as expected, but meets a broad range of related expectations. These include reliability, maintainability, ease of use, durability, and conformance." [Ref. 25]

- "the composite of material attributes, including performance features and characteristics, of a product or service to satisfy a given need." [Ref. 9:p. 25]

- "The composite of material attributes including performance features and characteristics of a product or service to satisfy a given need." [Ref. 10:p. 69]

- "That which fits a product to a given use." [Ref. 19:p. 23]

- "the quality of a weapon system is the composite of all attributes or characteristics, including performance, that satisfy a user's needs." [Ref. 27:p. 16]

### RESPONSIBLE CONTRACTOR

- "means that the contracting officer must establish that the prospective contractor is a manufacturer or regular dealer in the



supplies or services sought; that he has adequate financial resources; that he can comply with the delivery schedule; and that he has a satisfactory record of prior performance and credibility of cost estimates and is otherwise qualified and eligible to receive an award under applicable laws and regulations." [Ref. 8:p. 74]

- "responsible bidder: a bidder whose reputation, past performance, and business and financial capabilities are such that the bidder would be judged by appropriate authority to be capable of satisfying an organization's needs for a specific contract." [Ref. 9:p. 26]

- "In federal government contracting, to be eligible for contract award, a contractor, in general, must be responsible and submit a responsive (see Responsive Contractor) offer. The Defense Acquisition Regulation specifies, for example, that a responsible contractor is one who has or can obtain 'adequate financial resources;' is 'able to comply with the required or proposed delivery schedule;' has 'a satisfactory record of performance' and 'integrity;' and is 'otherwise qualified and eligible to receive an award under applicable laws and regulations...' DAR 1-903.1." [Ref. 20:p. 154]

## RESPONSIVE

- "Used of a Contractor and his response to a solicitation in connection with his having essentially and substantially complied with the terms and conditions of the solicitation, has not taken exception going to the substance of the bid, prejudiced the other bidders, made a counter-offer, or in some way taken substantive action or objection or qualification such that the essential parts of the solicitation deemed critical to the procurement agency or Buyer are not met as stated or specified. Failure to do so makes the responder non-responsive." [Ref. 17:p. 57]

- "responsive bidder: a bidder whose bid does not vary from the specifications and terms set out in the invitation for bids." [Ref. 9:p. 26]

- Responsive Contractor: "In federal government contracting, to be eligible for contract award, a contractor, in general, must be responsible (see Responsible Contractor) and submit a responsive offer. The Defense Acquisition Regulation specifies, for example, that a responsive bid is one which complies 'in all material respects with the invitation for bids so that, both as to the method and timeliness of submission and as to the substance of any resulting

contract, all bidders may stand on an equal footing...' DAR 2-301(a)."  
[Ref. 20:p. 154]

### SHOULD COST

- "to identify uneconomical or inefficient practices in the contractor's management and operations, to quantify the findings in terms of their impact on cost, and to develop a realistic price objective which reflects reasonably achievable economies and efficiencies." [Ref. 8:p. 60]
- "A concept that holds that the objective of cost analysis and contract pricing is to price on the basis of what it should cost the offeror to produce, assuming reasonable economy and efficiency of operation; an attempt to minimize the ill effects of cost-based pricing with its tacit acceptance of will-cost as a standard."  
[Ref. 13:p. B-9]
- "An estimate of contract price which reflects reasonably achievable contractor economy and efficiency. It is accomplished by a government team of procurement, contract administration, audit and engineering representatives performing an in-dept cost analysis at the contractor's and subcontractor's plants. Its purpose is to develop a realistic price objective for negotiation purposes."  
[Ref. 10:p. 75]
- "an estimate of costs based on an optimum situation envisioned by the cost analyst." [Ref. 23:p. 272]

### SPECIFICATION

- "a description of the technical requirements for a material, product, or service that includes the criteria for determining whether the requirements are met." [Ref. 26:p. 29]
- "A document intended primarily for use in procurement, which clearly and accurately describes the essential technical requirements for items, materials, or services including the procedures by which it will be determined that the requirements have been met." [Ref. 22:p. 51]
- "A clear, complete, and accurate statement of the technical requirements descriptive of a material, an item, or a service, and of the procedure to be followed to determine if the requirements are met." [Ref. 12:p. 31-25]



- "Federal: A specification established in accordance with procedures prescribed by the Federal Specifications Board and approved for use by all government activities." [Ref. 12:p. 31-25]
- "A clear and accurate description of the technical requirements of a material, a product or a service, including the procedure by which it can be determined that the requirements are met." [Ref. 16:p. 311]

## WARRANTY

- "a promise or affirmation given by a seller to a purchaser regarding the nature, usefulness, or condition of the supplies or performance of services to be furnished." [Ref. 8:p. 60]
- "the representation, either expressed or implied, that a certain fact regarding the subject matter of a contract is presently true or will be true. Not to be confused with 'guarantee' which means a contract or promise by one person to answer for the performance of another person." [Ref. 9:p. 32]
- "A promise or affirmation regarding the nature, usefulness or condition of the supplies or performance or services furnished under contract. For DOD systems, centers on workmanship, defects in material and performance." Also lists guarantees under this same definition. Glossary says that guarantees means: "Congressional language term for contractor warranties. See Warranties." [Ref. 10:p. 89]
- "The seller has made an express warranty when he makes some specific representation or assurance concerning the nature, quality, character, use of purpose of the goods." [Ref. 19:p. 29]
- "a collateral undertaking that a fact regarding the subject of a contract is or will be as it is expressly or by implication declared or promised to be." [Ref. 7:p. 1320]
- "express warranty -- When a seller makes some positive representation concerning the nature, quality, character, use, and purpose of goods, which induces the buyer to buy, and the seller intends the buyer to rely thereon, the seller has made an express warranty. [Ref. 12:p. 31-14]
- "An undertaking, either expressed or implied, that a certain fact regarding the subject matter of a contract is presently true or will be true. The word should be distinguished from guaranty, which means a contract or promise by one person to answer for the performance of another." [Ref. 12:p. 31-28]

- "A promise or affirmation given by a seller to a purchaser regarding the nature, usefulness or condition of the supplies or performance of services to be furnished." [Ref. 16:p. 313]

### WILL COST

- An offeror's estimate using projections of current actual costs for the same or similar work (along with all underlying assumptions used). Contractor's estimate. [Ref. 13:p. 3-4]
- "A conclusion that much contract pricing is based on the submission and evaluation of what an offeror estimates it will cost to do the job in a specified future period. As a concept, it is the opposite of should-cost. Cost or pricing data should be evaluated for their application to a projection of future costs, as well as whether or not these data may be perpetuating past inefficiencies." [Ref. 13:p. B-10]
- "an estimate of costs based on present institutional arrangements; the expected cost if the state of the world is not changed." [Ref. 23:p. 273]



## **APPENDIX C: QUESTIONNAIRE**

This appendix presents the questionnaire which was sent out to approximately 200 contracting professionals to help in the formulation of acceptable definitions for the 28 terms selected.

Each of the 28 definitions contained in the questionnaire is a definition synthesized from published sources.

All the following definitions are synthesized from collected glossary definitions, government regulations, or contracting literature. They are, in the author's opinion, the baselined definitions of the words as they should be applied in the contracting profession. Your participation will become part of the data base which will hopefully provide a consensus on what the precise definition of the words and terms investigated should be. Please indicate if you agree with the definition or not. If not, provide constructive criticism of the definition offered and if possible provide what your alternative definition is and list any reference which you draw upon to provide that definition. Also add any synonyms or antonyms which you feel would apply. Feel free to utilize these sheets for your comments including the back if you require more room. The last page of this package includes a listing of the sources used in compiling the definition data base which was used to synthesize the following word/term definitions.

ACQUISITION

(Sometimes used interchangeably with contracting, procurement or purchasing).

- 1. The act by which one acquires ownership of anything.
- 2. The act of acquiring supplies or services for the use of an activity through purchase or lease.
- 3. In Federal Government: encompasses the entire spectrum of actions in acquiring supplies or services through purchase or lease, including construction, whether the supplies or services exist or not.
- 4. In major systems: the process of obtaining major systems through the application of the following phases: concept exploration, concept demonstration/validation, full scale development, production, logistic support review, and major upgrade/system replacement.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

### BILL OF MATERIALS

A descriptive and quantitative listing specifying materials, parts, and components required to produce a quantity of a particular product.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

### BUYING-IN

The practice of submitting an offer below anticipated costs in order to obtain a contract award expecting to gain benefit through contract changes or follow on contracts or achieve/protect market status.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

### CHANGE

A buyer or seller proposed modification of the terms of a contract which may alter the original specifications but should not exceed the scope of the contract as originally priced.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

## CHANGE ORDER

A unilateral action by the contracting officer or buyer as allowed by contract clause, to modify a contractual requirement within the scope of a contract.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

## CONTRACT

A mutually binding relationship enforceable by law, expressing the mutual assent of two or more legally competent parties to do something they are not otherwise required to do, or not to do something they would otherwise have a right to do, for legal consideration.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

## CONTRACTING

(Sometimes used interchangeably with acquisition, procurement or purchasing).

The entire spectrum of actions associated with obtaining supplies and services from business and industry from initial requirement description through contract closure.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.



## COST

1. The amount of money or equivalent paid or charged for supplies or services before the addition of profit or fee.
2. The total amount of money or equivalent spent on a system including initial development, procurement, maintenance, operation and disposal costs. (See definition of life cycle cost).

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

## DIRECT COST

Costs specifically identifiable with a contract requirement; including but not restricted to costs of material and/or labor directly incorporated into an end item.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

## DIRECT MATERIAL

Material, including raw material, purchased parts, subcontracted items, etc., identifiable to a contract requirement.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

EXPRESS

Direct; explicit; exact; precise; specific; language which manifests these characteristics and is not left to interpretation or inference.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

FEE

- 1. A fixed charge for a professional service.
- 2. Fixed payments for contractual considerations such as incentives and risks.
- 3. Fixed payment in addition to reimbursement of allowable costs on cost type contracts.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

GUARANTEE

An assurance of the quality of a product or service from the seller to the buyer often with a promise of reimbursement, repair or replacement for failure to perform or function as specified.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

### IMPLY

To indirectly convey meaning or intent; to leave the determination of meaning up to the receiver of the communication based upon circumstances, general language used, or conduct of those involved.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

### INDIRECT COST

Any cost incurred for common objectives not directly identifiable with a specific contract requirement and not subject to treatment as a direct cost.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

### LIFE CYCLE COST

Total cost of ownership of a system over its entire lifetime including research, development, test, production, deployment, operation, maintenance and disposal.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

## NEGOTIATION

A process between buyers and sellers seeking to reach mutual assent on a matter of common concern thru bargaining and persuasion.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

## PRICE

The amount of money or equivalent paid or charged for supplies or services including cost and profit or fee.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

## PROCUREMENT

(Sometimes used interchangeably with acquisition, contracting or purchasing).

The function of obtaining material or services using the techniques included in both sealed bidding and negotiation. To be differentiated from acquisition in that procurement can occur independently of the acquisition process, but the acquisition process cannot occur without the procurement process.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.



## PROFIT

The net proceeds from producing a product or performing a service when costs are contrasted with revenues.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

## PURCHASING

(Sometimes used interchangeably with acquisition, contracting or procurement).

The process of buying commercially available and relatively inexpensive supplies and services utilizing procedures such as purchase orders, blanket ordering agreements, pre-negotiated schedules, etc.. Usually identified further as orders which fall within certain dollar limits as established by higher authority.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

## QUALITY

All attributes of a product including reliability, maintainability, ease of use, durability, performance, suitability, etc. which satisfy a given need.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

## RESPONSIBLE CONTRACTOR

The establishment of a contractor as a capable party (has adequate financial resources; can deliver product or service; can deliver on time; operates in accordance with acceptable standards of conduct; etc.) who appears able to satisfactorily fulfill a specific contractual requirement.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

## RESPONSIVE

1. When an offeror fully complies with and does not deviate from the terms and specifications set forth in an invitation for bids (sealed bid method).

2. When an offeror materially complies with a request for proposal and is capable of being made compliant through discussions.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

### SHOULD COST

An estimate of what an item or system should cost based upon an evaluation by outside investigators of all applicable contractor business methods (contrasting most efficient methods with present contractor methods). This analysis should include subcontractor procedures when subcontracting is part of the proposal. The result will be utilized to develop realistic price objectives for contract negotiation purposes.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

### SPECIFICATION

A clear and accurate description of the technical requirements for items, materials, or services, including the criteria for determining whether the requirements have been met.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

### WARRANTY

A promise or representation, either expressed or implied, regarding the nature, usefulness, or condition of supplies, or performance of services to be furnished.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.

## WILL COST

A projection by an offeror as to what a contract will cost based upon the offeror's best estimate utilizing current methods, historical costs and forecasts.

Synonyms: \_\_\_\_\_.

Antonyms: \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_.



Sources of word and term definitions which were used as a basis from which to synthesize a common definition:

Alijan's Purchasing Handbook, Fourth Edition, McGraw-Hill Book Company, NY, 1982.

Armed Services Pricing Manual (ASPM), Department of Defense, 1986.

Blacks Law Dictionary with pronunciations, Fifth Edition, West Publishing Co., St. Paul, MN, 1979.

Code of Federal Regulations, title 4 -- 'Accounts,' chapter III -- 'Cost Accounting Standards Board,' part 402.30.

Contracting with the Federal Government, John Wiley & Sons, NY, 1984.

Defense Acquisition and Logistics Management, National Defense University, Washington, DC, 1984.

DEFINITIONS, Inspector General, Department of Defense, IG, DOD 5000.2-L, July 1987.

Dictionary of Procurement Terms, PACTS Publishing Co., Gaynor A. Gibson, 1961.

The Dictionary of Purchasing Terms, Fourth Edition, The National Institute of Governmental Purchasing, Inc., Falls Church, VA, 1986.

Federal Acquisition Regulation, June 1, 1987.

Glossary. Defense Acquisition Acronyms and Terms, Defense Systems Management College, July 1987.

Glossary of Purchasing and Supply Terms, Volume I - English, The International Federation of Purchasing.

Government Contract Law Manual, Glen E. Monroe, The Michie Co., Charlottesville, VA, 1979.

Handbook on Government Contracts Administration, Emmett E. Hearn,  
Hearn Associates, Los Altos, CA, 1987.

Life Cycle Costing: A Better Method of Government Procurement, M.  
Robert Seldon, Westview Press, Boulder, CO, 1979.

Production and Inventory Management, Donald W. Fogarty & Thomas R  
Hoffmann, South-Western Publishing Co., Cincinnati, OH, 1983.

Webster's New Collegiate Dictionary. Springfield, MA: G. & C.  
Merriam Co., 1977.

## **APPENDIX D: LISTING OF FAR DEFINITIONS IN ALPHABETIC ORDER**

This appendix lists all the definitions included in the Federal Acquisition Regulation (FAR) in alphabetic order. Some definitions occur more than once in the FAR and are therefore listed more than once in this listing. The list contains a total of 572 items.

<u>Term</u>	<u>FAR Part</u>
Acceptance	46.101
Accessory item	45.501
Accrued benefit cost method	31.001
Accumulating costs	31.001
Acquisition	2.101
Acquisition planning	7.101
Acquisition savings	48.001
Actual cash value	31.001
Actual costs	31.001
Actuarial assumption	31.001
Actuarial cost method	31.001
Actuarial gain and loss	31.001
Actuarial liability	31.001
Actuarial valuation	31.001
Adequate evidence	9.403
Administrative change	43.101
Advance acquisition	17.101
Advertisement	5.501
Advertising	31.205-1(b)
Advertising material	15.501
Affiliates	2.101
Affiliates	9.403
Affiliates	19.101
Affirmative action program	22.801
Agency	9.403
Agency	24.101
Agency Head (see Head of Agency)	2.101
Agency-peculiar property	45.301
Agency-peculiar property	45.501
Air freight forwarder	47.401
Allocate	31.001
Allocation	8.701
Alternate	52.100
Annual funding	17.101
Annual receipts	19.101(g)(4)(a)
Applied research	31.205-18(a)
Applied research	35.001
Approval	9.301
Approved purchasing system	44.101



Approving authority	50.001
Architect-engineer services	36.101
Areawide contract	8.301
As-built drawings	36.102
Asian-Indian Americans	19.001
Asian-Pacific Americans	19.001
Asphalt	25.108(d)(2)(ii)
Assembly	22.601
Assignment of claims	32.801
Attorney in fact	28.001
Authorization	8.301
Authorized program	12.301
Automatic data processing equipment (ADPE)	31.001
Auxiliary item	45.501
Based on a catalog or market price	15.804-3(c)(6)
Based on adequate price competition	15.804-3(b)(3)
Basic research	31.205-18(a)
Basic research	35.001
Bid and proposal (B&P) costs	31.205-18(a)
Bid guarantee	28.001
Bid sample	14.202-4
Billing rate	42.701
Bona fide agency	3.401
Bona fide employee	3.401
Bond	28.001
Borrower	32.301
Brand name description	10.001
Bulk funding	13.101
Business unit	30.102
Business unit	31.001
Business unit	42.701
Buy item	15.701
Buying in	3.501-1
Cancellation	17.101
Cancellation ceiling	17.101
Caribbean basin country	25.401
Caribbean basin country end product	25.401
Carrier or commercial carrier	47.001
CAS covered contract	30.102
Central nonprofit agency	8.701

Change order	43.101
Change-of-name agreement	42.1201
Civil aircraft and related articles	25.101
Claim	33.201
Claim	49.001
Clarification	15.601
Classified acquisition	4.401
Classified contract	4.401
Classified information	4.401
Collateral costs	48.001
Collateral savings	48.001
Commercial items	15.804-3(c)(3)
Commercial product	11.001
Commercial product offer	15.501
Commercial type product	11.001
Committee	8.701
Common carrier	47.001
Common item	45.601
Company	31.205-18(a)
Compensated personal absence	31.001
Components	25.101
Components	25.201
Components	25.301
Computer software	27.401
Concern	19.001
Connection charge	8.301
Consent of surety	28.001
Consent to subcontract	44.101
Consolidated list of debarred.....contractors	9.403
Construction	25.201
Construction	36.102
Construction materials	25.201
Construction work	22.801
Consulting services	37.101
Consumer product	23.202
Contingency	31.205-7(a)
Contingent fee	3.401
Continued portion of the contract	49.001
Contract	2.101
Contract	36.102

Contract action	5.001
Contract Administration Office	2.101
Contract carrier	47.001
Contract clause or clause	52.100
Contract modification	43.101
Contract quality requirements	46.101
Contracting	2.101
Contracting activity	2.101
Contracting agency	22.801
Contracting office	2.101
Contracting office	48.001
Contracting officer	2.101
Contractor	9.403
Contractor	22.801
Contractor	44.101
Contractor inventory	45.601
Contractor purchasing system review (CPSR)	44.101
Contractor team arrangement	9.601
Contractor's development & implementation costs	48.001
Contractor-acquired property	45.101
Contractor-acquired property	45.501
Contractor-acquired property	45.601
Contribution	15.501
Controlled materials	12.301
CONUS or Continental United States	47.001
Conviction	9.403
Coordinating office	15.501
Cost analysis	15.801
Cost input	31.001
Cost objective	31.001
Cost of capital committed to facilities	31.001
Cost of idle facilities or idle capacity	31.205-17(a)
Cost of travel by contractor-chartered aircraft	31.205-46(e)(1)
Cost of travel by contractor-leased aircraft	31.205-46(e)(1)
Cost of travel by contractor-owned aircraft	31.205-46(e)(1)
Cost or pricing data	15.801
Cost sharing	35.001
Costs	31.205-47(a)
Covered product	23.202
Crude oil	25.108(d)(2)(i)

Currently performing	30.102
Custodial records	45.501
Customs territory of the United States	25.601
Data	27.401
Debarring official	9.403
Debarment	9.403
Deferred compensation	31.001
Deficiency	15.601
Defined-benefit pension plan	31.001
Defined-contribution pension plan	31.001
Delegate agency	12.301
Delivery order	13.101
Descriptive literature	14.202-5
Design to cost	7.101
Designated agency	32.801
Determination & Findings	1.701
Determination of eligibility	19.001
Development	31.205-18(a)
Development	35.001
Deviation	1.401
Directly associated cost	31.001
Director	22.801
Discrepancies incident to shipment	45.501
DOD index of specifications and standards	10.001
Domestic construction material	25.201
Domestic end product	25.101
Domestic end product	25.301
Domestic offer	25.101
Domestic offer	25.301
Domestic services	25.301
Dry bulk carrier	47.501
Dry cargo liner	47.501
Economically disadvantaged individuals	19.001
Effective competition	34.001
Effective date	43.101
Effective date of termination	49.001
Eligible product	25.401
End product	25.101
End product	25.301
Energy efficiency standard	23.202



Energy use and efficiency label	23.202
EO 11246	22.801
Equal opportunity clause	22.801
Established catalog prices	15.804-3(c)
Established market prices	15.804-3(c)(2)
Estimating costs	31.001
Exception	53.001
Excess personal property	8.101
Executive Agency	2.101
Expressly unallowable cost	31.001
F.O.B.	47.001
F.O.B. destination	47.001
F.O.B. origin	47.001
Facilities	31.205-17(a)
Facilities	44.101
Facilities	45.301
Facilities	45.501
Facilities capital	31.001
Facilities contract	45.301
Fair market price	19.001
Federal Agency	2.101
Federal reserve board	32.301
Federal specification or standard	10.001
Field pricing data	15.801
Final conviction	3.702
Final cost objective	31.001
Final indirect cost rate	42.701
Finished products	25.108(d)(2)(ii)
Firm	36.102
First article	9.301
First article testing	9.301
Fiscal year	31.001
Foreign construction material	25.201
Foreign end product	25.101
Foreign end product	25.301
Foreign offer	25.101
Foreign offer	25.301
Foreign services	25.301
Foreign-flag vessel	47.501
Form fit & function	27.401

Forward pricing rate agreement	15.801
Fraud	31.205-47(a)
Freight	47.001
Fuel oil	25.108(d)(2)(ii)
Full and open competition	6.003
Future unit cost reduction	48.001
Gasoline	25.108(d)(2)(ii)
Gateway airport abroad	47.401
Gateway airport in the United States	47.401
General and administrative (G&A) expense	31.001
General freight	47.201
General public	15.804-3(c)(5)
Government contract	22.801
Government contract quality assurance	46.101
Government costs	48.001
Government or Entity of the Government	8.701
Government printing	8.801
Government production and research property	45.301
Government property	45.101(a)
Government property	45.501
Government property	45.601
Government vessel	47.501
Government-furnished property	45.101(a)
Government-furnished property	45.501
Government-furnished property	45.601
GSA index of federal specifications and stds.	10.001
Guaranteed loan or V loan	32.301
Guaranteeing agency	32.301
Hazardous material	23.301
Head of Agency	2.101
Head of Contracting Activity	2.101
High-value item	46.802
Home office	31.001
Household goods	47.201
Identical Bids	3.302
Idle capacity	31.205-17(a)
Idle facilities	31.205-17(a)
Immediate-gain actuarial cost method	31.001
Imprest fund	13.401
Improper influence	3.401

Independent research and development (IR&D)	31.205-18(a)
IR&D cost	31.001
Indictment	9.403
Indirect cost	42.701
Indirect cost pools	31.001
Indirect cost rate	42.701
Individual	24.101
Individual item record	45.501
Industry	19.001
Ineligible	9.403
Inspection	46.101
Instant contract	48.001
Instant unit cost reduction	48.001
Instrumentality	25.101
Insurance	28.001
Insurance administration expenses	31.001
Intangible capital asset	31.001
Interagency acquisition	17.501
Interested party	33.101
International air transportation	47.401
Invention	27.301
Jet fuel	25.108(d)(2)(ii)
Jewel bearing	8.201
Kickback	3.502-1
Labor cost at standard	31.001
Labor surplus area	20.101
Labor surplus area concern	20.101
Labor-rate standard	31.001
Labor-time standard	31.001
Leasing	8.1101
Legal proceedings	9.403
Life cycle cost	7.101
Limited rights	27.401
Limited rights data	27.401
Limited rights data	27.401
Line item	3.302
Line item	45.601
Liquefied gases	25.108(d)(2)(ii)
Lubricating Oil	25.108(d)(2)(ii)
Made	27.301

Maintain	24.101
Major system	34.001
Make item	15.701
Make or buy program	15.701
Management and operating contract	17.601
Manufacture	23.202
Manufacturer	22.601
Manufacturer	23.202
Market research	10.001
Market survey	7.101
Material	45.301
Material	45.501
Material cost at standard	31.001
Material-price standard	31.001
Material-quantity standard	31.001
May	2.101
Minority	52.222-27(a)
Misrepresentation of fact	33.201
Modification	52.100
Modifications	15.412
Motor vehicle	8.1101
Moving average cost	31.001
Multiyear acquisition	17.101
Multiyear contracts	17.101
Multiyear funding	17.101
Naphtha	25.108(d)(2)(ii)
National defense	2.101
National defense	30.102
Native Americans	19.001
Natural gas products	25.108(d)(2)(ii)
Negative instant contract savings	48.001
Negotiation	15.101
Net acquisition savings	48.001
Net awards	30.102
No-setoff commitment	32.801
No-year funding	17.101
Nonmanufacture	19.102(f)(1)
Nonpersonal services contract	37.101
Nonprofit organization	27.301
Nonprofit organization	45.301



Nonprofit organization	45.501
Nonrecurring costs	17.101
Nonseverable	45.301
Normal cost	31.001
Normal workweek/normal workday	22.103-1
Novation agreement	42.1201
Number of employees	19.101(g)(4)(b)
Off-the-shelf item	46.101
Offer	2.101
Office furniture	47.201
Operation of a system of records	24.101
Option	17.201
Ordering office	8.701
Organizational conflict of interest	9.501
Original complement of low cost equipment	31.001
Other work	49.001
Overtime	22.103-1
Overtime premium	22.103-1
Partial termination	49.001
Pay-as-you-go cost method	31.001
Penal sum or penal amount	28.001
Pension plan	31.001
Pension plan participant	31.001
Person	3.502-1
Person	22.601
Personal property	45.601
Personal services contract	37.101
Planner	7.101
Plans and specifications	36.102
Plant	8.201
Plant clearance	45.601
Plant clearance period	45.601
Plant equipment	45.101(a)
Plant equipment	45.501
Plant equipment	45.601
Pool	9.701
Possessions	2.101
Power of attorney	28.001
Practical application	27.301
Preaward survey	9.101

Precious metals	45.601
Preponderance of the evidence	9.403
Price	15.801
Price analysis	15.801
Pricing	31.001
Prime contract	3.502-1
Prime contractor	22.801
Prime contractor employee	3.502-1
Privately owned U.S. flag commercial vessel	47.501
Procurement list	8.701
Procuring activity	6.003
Procuring activity	9.201
Professional employee	22.1102
Profit center	31.001
Projected average loss	31.001
Projected benefit cost method	31.001
Property	45.101(a)
Property administrator	45.501
Property administrator	45.601
Proposal	31.001
Protest	33.101
Public body	45.601
Public relations	31.205-1(a)
Public work contract	28.305
Publication	5.501
Purchase description	10.001
Purchase order	13.101
Qualification requirement	9.201
Qualified bidders list	9.201
Qualified manufacturers list	9.201
Qualified products list	9.201
Rated order	12.301
Real property	45.101(a)
Real property	45.501
Real property	45.601
Record	24.101
Record drawings	36.102
Recoupment	35.001
Recovered materials	23.402
Recruiting and training agency	22.801

Recurring costs	17.101
Regular dealer	22.601
Reinsurance	28.001
Related item	8.201
Related supplies	8.801
Reportable property	45.601
Reporting activity	45.601
Research and development	31.205-48
Residual fuel	25.108(d)(2)(ii)
Residual value	31.001
Responsible agency	10.001
Responsible official	32.601
Responsible prospective contractor	9.101
Restricted computer software	27.401
Restricted rights	27.401
Salvage	45.501
Salvage	45.601
Scrap	45.501
Scrap	45.601
Screening completion date	45.601
Secretarial level	50.001
Segment	30.102
Segment	31.001
Segregated facilities	52.222-21(a)
Self-insurance	31.001
Self-insurance charge	31.001
Selling	31.205-38(a)
Senior Procurement Executive	2.101
Separate contract	8.301
Service contract	37.101
Service life	31.001
Serviceable or usable property	45.601
Settlement agreement	49.001
Settlement proposal	49.001
Shall	2.101
Sharing base	48.001
Sharing period	48.001
Shift premium	22.103-1
Shipment	47.001
Shop drawings	36.102

Significant revisions	1.501-1
Site of construction	22.801
Small business	30.102
Small business concern	19.001
Small business firm	27.301
Small business subcontractor	19.701
Small disadvantaged business concern	19.001
Small purchase	13.101
Small purchase procedures	13.101
Socially disadvantaged individuals	19.001
Sold in substantial quantities	15.804-3(c)(4)
Sole source acquisition	6.003
Solicitation provision or provision	52.100
Solicitations	15.407
Solid waste	23.402
Source selection authority	15.601
Special test equipment	45.101(a)
Special test equipment	45.501
Special test equipment	45.601
Special tooling	45.101(a)
Special tooling	45.501
Special tooling	45.601
Specification	10.001
Spread-gain actuarial cost method	31.001
Standard	10.001
Standard cost	31.001
State and local taxes	29.301
Stock record	45.501
Subcontract	3.502-1
Subcontract	19.701
Subcontract	22.801
Subcontract	44.101
Subcontractor	3.502-1
Subcontractor	22.801
Subcontractor	44.101
Subcontractor	46.101
Subcontractor employee	3.502-1
Subject invention	27.301
Substantially as follows	52.100
Substantially the same as	52.100



Supplemental agreement	43.101
Supplies	2.101
Supporting contract administration	42.201
Surety	28.001
Surplus property	45.601
Surplus Release Date (SRD)	45.601
Surveying activity	9.101
Suspending official	9.403
Suspension	9.403
System of records on individuals	24.101
Systems and concept formulation studies	31.205-18(a)
Tangible capital asset	31.001
Tanker	47.501
Target cost	52.216-10
Target fee	52.216-10
Technical analysis	15.801
Technical correspondence	15.501
Technical data	27.401
Technical leveling	15.610(d)(1)
Technical transfusion	15.610(d)(2)
Terminated portion of the contract	49.001
Termination contracting officer	49.001
Termination for convenience	17.101
Termination gain or loss	31.001
Termination inventory	45.601
Termination inventory	49.001
Termination liability	8.301
Termination liability	17.101
Termination liability funding	17.101
Testing	46.101
U.S. flag air carrier	47.401
U.S. flag vessel	47.501
Unallowable cost	31.001
Unfinished oils	25.108(d)(2)
Unit	48.001
United States	2.101
United States	22.801
United States	25.101
United States	25.201
United States	25.301

United States	47.401
Unlimited rights	27.401
Unsettled contract change	49.001
Unsolicited proposal	15.501
Utility distribution system	45.501
Utility service	8.301
Value engineering change proposal (VECP)	48.001
Variance	31.001
Voluntary standard	10.001
Weighted average cost	31.001
Work-in-process	45.501
Work-in-process	45.601
Workshop for the blind	8.701

## **APPENDIX E: PROPOSED DEFINITIONS BASED UPON THE CONSENSUS PROCEDURE**

This appendix presents one of the products of this thesis. These proposed definitions, which were arrived at through a consensus procedure, represent professionally acceptable definitions of the 28 terms offered.

## **ACQUISITION**

(1) *The process by which one attains legal possession of something.*

(2) *The entire spectrum of actions, from planning through use, in attaining supplies, services, or systems through purchase, lease, or any combination, including construction, whether the supplies, services, or systems exist or not.*

(3) *In major systems: the process of obtaining complex systems through the application of the following phases: concept exploration, concept demonstration/validation, full scale development, production, logistic support review, and major upgrade/system replacement.*

**Synonyms:** *Contracting, buying, acquiring.*

**Antonyms:** *Selling, disposal, divestiture, terminating.*

## **BILL OF MATERIALS**

*A complete, descriptive and quantitative list of materials, parts, and components required to produce a particular product.*

**Synonyms:** *Parts list, parts breakout.*

**Antonyms:** *None.*

## **BUYING-IN**

*A management practice of knowingly submitting an offer below anticipated costs or with no profit or fee with intent to obtain a contract award expecting to gain benefit and recoup losses through contract changes or follow on contracts. May also intend to achieve or protect market status or obtain access to new technology, or for other reasons.*

**Synonyms:** *Low-balling, stealing the job, quote low, under estimating.*

**Antonyms:** *High-balling, overpricing, monopolistic pricing, quote high, over estimating.*



## **CHANGE**

*A bilateral modification of the terms of a contract which may alter original requirements.*

**Synonyms:** *Revision, alteration, modification, supplemental agreement, altered state.*

**Antonyms:** *Permanence, fixed.*

## **CHANGE ORDER**

*A unilateral action by the contracting officer or buyer, authorized by contract clause, to modify contractual requirements within the scope of the contract.*

**Synonyms:** *Amendment, directed change, unilateral modification, contract amendment.*

**Antonyms:** *Bilateral contract modification.*

## **CONTRACT**

*A mutually binding relationship enforceable by law, expressing the mutual assent of two or more legally competent parties to do something they are not otherwise required to do, or not to do something they would otherwise have a right to do, for legal consideration.*

**Synonyms:** *Agreement, pact.*

**Antonyms:** *None.*

## **CONTRACTING**

*The entire spectrum of actions associated with obtaining supplies, services, and construction from business and industry from initial requirement description through contract completion.*

**Synonyms:** *Acquisition, buying.*

**Antonyms:** *Disposal, scrapping.*

## **COST**

(1) *The value of resources expended in producing a product or providing a service before the addition of profit or fee.*

(2) *The total amount of money or equivalent spent on a system, product or service including initial research and development, procurement, maintenance, operation, administration and disposal costs. (See definition of life cycle cost).*

**Synonyms:** *Consideration, charge, total cost (including general and administrative costs, taxes, royalties).*

**Antonyms:** *None.*

## **DIRECT COST**

*Costs specifically identifiable with a contract requirement; including but not restricted to costs of material and/or labor directly incorporated into an end item.*

**Synonyms:** *Cost objective, expense.*

**Antonyms:** *Indirect cost, overhead, general and administrative costs.*

## **DIRECT MATERIAL**

*Material, including raw material, purchased parts, and subcontracted items, directly incorporated into an end item, which is identifiable to a contract requirement.*

**Synonyms:** *None.*

**Antonyms:** *Indirect material, common items.*

## **EXPRESS**

*Direct; explicit; exact; precise; specific; language which manifests these characteristics and is not left to interpretation or inference.*

**Synonyms:** *Explicit, exact, precise.*

**Antonyms:** *Implied, ambiguous, general, unclear, inferred, between the lines, imprecise, indirect, assumed, vague.*

## **FEE**

- (1) A charge for a professional service.*
- (2) A payment for contractual considerations such as incentives and risks.*
- (3) A payment in addition to reimbursement of allowable costs on cost type contracts.*

**Synonyms:** *Profit.*

**Antonyms:** *Loss.*

## **GUARANTEE**

*An assurance of the quality of a product or service from the seller to the buyer often with a promise of reimbursement, reperformance, repair or replacement for failure to perform or function as specified. Usually applies over a specific time period immediately following acquisition.*

**Synonyms:** *Warranty.*

**Antonyms:** *As is, disclaimer.*

## **IMPLY**

*To indirectly convey meaning or intent; to leave the determination of meaning up to the receiver of the communication based upon circumstances, general language used, or conduct of those involved.*

**Synonyms:** *Infer, read between the lines, hint, suggest.*

**Antonyms:** *Express, specify, declare, direct, state.*

## **INDIRECT COST**

*Any cost incurred for common objectives not directly identifiable with a specific contract requirement or not subject to treatment as a direct cost.*

**Synonyms:** *Overhead, general and administrative expense, distributed cost, burden.*

**Antonyms:** *Direct cost.*

## **LIFE CYCLE COST**

*Total cost of ownership of an item or system over its entire lifetime including research, development, test, production, deployment, training, operation, maintenance and disposal.*

**Synonyms:** *System cost, total cost of ownership, price plus maintenance expense.*

**Antonyms:** *Purchase price only.*

## **NEGOTIATION**

*(1) A process between buyers and sellers seeking to reach mutual agreement on a matter of common concern through fact finding, bargaining and persuasion.*

*(2) Government acquisition of supplies or services including construction by other than sealed bidding procedures*

**Synonyms:** *Bargaining, bartering, discussion.*

**Antonyms:** *Sealed bidding, force.*

## **PRICE**

*The amount of money or equivalent paid or charged for supplies or services including cost and profit or fee. (See definition of cost).*

**Synonyms:** *None.*

**Antonyms:** *None.*



## **PROCUREMENT**

*The function of obtaining goods or services using the techniques included in both sealed bidding and negotiation. To be differentiated from acquisition in that the procurement function can occur independently of the acquisition process, but the acquisition process cannot occur without the procurement function.*

**Synonyms:** *Buying, obtaining.*

**Antonyms:** *Disposal, destruction.*

## **PROFIT**

*The net proceeds from selling a product or service when costs are subtracted from revenues. May be positive (profit) or negative (loss).*

**Synonyms:** *Mark-up, margin, earning, bottom line, return, "in the black".*

**Antonyms:** *Loss, "in the red".*

## **PURCHASING**

*The process of buying commercially available supplies and services utilizing procedures such as purchase orders, blanket ordering agreements, and pre-negotiated schedules. Usually identified further as orders which fall within certain dollar limits.*

**Synonyms:** *Buying.*

**Antonyms:** *Selling, disposal, scrapping.*

## **QUALITY**

*All attributes of a product including the meeting of required specifications, reliability, maintainability, ease of use, durability, performance, suitability, and utility which satisfy a given need.*

**Synonyms:** *Value.*

**Antonyms:** *Cheap, poor, discrepant, not up to specification, unsuitable.*

## **RESPONSIBLE CONTRACTOR**

*A capable party (has adequate financial resources; can deliver product or service; can deliver on time; operates in accordance with acceptable standards of conduct; has the technical know how) who appears able to satisfactorily fulfill a specific contractual requirement.*

**Synonyms:** *Accountable, qualified producer, competent, qualified source.*

**Antonyms:** *Nonresponsible contractor, irresponsible, unqualified.*

## **RESPONSIVE**

*(1) When a bidder fully complies with and does not materially deviate from the terms, conditions, and specifications set forth in an invitation for bids (sealed bid method).*

*(2) When an offeror materially complies with a solicitation and is capable of being made compliant through discussions.*

**Synonyms:** *Capable, qualified.*

**Antonyms:** *Non-responsive, non-compliant.*

## **SHOULD COST**

*An estimate of what an item or system should cost based upon an evaluation by independent reviewers of all applicable contractor business methods (contrasting more efficient methods with present contractor methods). This evaluation should include subcontractor procedures when subcontracting is part of the proposal. The result is utilized to develop realistic price objectives for contract negotiation purposes.*

**Synonyms:** *Independent cost estimate, cost analysis.*

**Antonyms:** *Will cost, actual cost.*

## **SPECIFICATION**

*A clear and accurate description of the technical or performance requirements for supplies or services, including the criteria for determining whether the requirements have been met.*

**Synonyms:** *Standard, description, statement of work.*

**Antonyms:** *None.*

## **WARRANTY**

*A promise or representation, either express or implied, regarding the nature, usefulness, or condition of supplies, or performance of services to be furnished. Normally applies during a specific time frame of negotiated duration.*

**Synonyms:** *Guarantee.*

**Antonyms:** *As is.*

## **WILL COST**

*A projection by an offeror as to what a contract will cost based upon the offeror's best estimate utilizing current methods, historical costs and forecasts.*

**Synonyms:** *Bottom line, contractor's estimate.*

**Antonyms:** *Should cost.*

## INITIAL DISTRIBUTION LIST

		No. Copies
1.	Defense Technical Information Center Cameron Station Alexandria, VA 22314-6145	2
2.	Library, Code 0142 Naval Postgraduate School Monterey, CA 93943-5000	2
3.	Dr. David V. Lamm, CPCM, Code 54Lt Department of Administrative Sciences Naval Postgraduate School Monterey, CA 91943-5000	5
4.	Professor Roger D. Evered, Code 54Ev Department of Administrative Sciences Naval Postgraduate School Monterey, CA 91943-5000	1
5.	Dr. Harry R. Page 3612 North Glebe Rd. Arlington, VA 22207	1
6.	Defense Logistics Studies Information Exchange U.S. Army Logistics Management Center Fort Lee, VA 23801	1
7.	Dr. Robert Judson, CPCM Rand Corporation 1700 Main St., Box 2138 Santa Monica, CA 90401	1
8.	Mr. R. Stephen Ayers SAIC 10260 Campus Point Dr. San Diego, CA 92121	1



9. Mr. Jay C. Billings, CPCM 1  
Director Southern Region, DSMC  
B 7446  
Redstone Arsenal, AL 35898-5070
10. Mrs. Sue Cantrell 1  
242 Towncrest Dr.  
Beavercreek, OH 45385
11. LtCol Gaynor A. Gibson, USAR 1  
P.O. Box 20010  
Altadena, CA 91002
12. Mr. William V. Gordon, CPCM 1  
Executive Director, Contract Management  
Defense Logistics Agency  
Cameron Station  
Alexandria, VA 22304-6100
13. Mr. LeRoy J. Haugh, CPCM 1  
4049 North 41st St.  
Arlington, VA 22207
14. Mr. Emmet Hearn, CPCM 1  
1270 Covington Rd.  
Los Altos, CA 94022
15. Dr. William N. Hunter, CPCM 1  
2104-A Gallows Rd.  
Vienna, VA 22180
16. Mr. William S. Lambert 1  
530 McGilvra Blvd., E.  
Seattle, WA 98112
17. Mr. W. Gregor Macfarlan 1  
Harbridge House, Inc.  
1725 Jeff Davis Hwy., #600  
Arlington, VA 22202

- |     |  |   |
|-----|--|---|
| 18. | Col. Jack McChesney, USAF<br>HQ AFCMD<br>Kirtland AFB, NM 87117            | 1 |
| 19. | Dr. William C. Pursch, CPCM<br>226 Brookway Rd.<br>Dayton, OH 45459        | 1 |
| 20. | CDR Benjamin Sellers, SC, USN<br>7814 O'Dell St.<br>Springfield, VA 22153  | 1 |
| 21. | Col. Larry Smith, USAF<br>2144 Northern Drive<br>Dayton, OH 45431          | 1 |
| 22. | Mr. Donald E. Sowle, CPCM<br>6643 McLean Dr.<br>McLean, VA 22101           | 1 |
| 23. | Mr. Stanley D. Zemansky, CPCM<br>6160 Beacon Ct.<br>Paradise, CA 95969     | 1 |
| 24. | LCDR Daniel F. Ryan, SC, USN<br>5367 Curtiston Ct.<br>Charleston, SC 29418 | 1 |



















Thesis

R9423 Ryan

c.1 A dictionary of  
acquisition and contract-  
ing terms.

23 NOV 90

11 OCT 91

31 JAN 92

22 FEB 92

37334

57530

38047

38381

Thesis

R9423 Ryan

c.1 A dictionary of  
acquisition and contract-  
ing terms.



thesR9423

A dictionary of acquisition and contract



3 2768 000 84370 0

DUDLEY KNOX LIBRARY